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Academy of Management
PROCEEDINGS OF THE
ANNUAL MEETING, 1961

DECEMBER 27 and 28, 1961
NEW YORK, N.Y.

Academy of Management

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(The 1962 Meeting will be in Pittsburgh, Pennsylvania, in December).

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1961

Edited by
Keith Davis, Secretary-Treasurer

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Academy of Management

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The Academy of Management
College of Business Administration
Arizona State University
Tempe, Arizona

TABLE OF CONTENTS

	Page
<i>Program of 21st Annual Meeting, 1961</i>	4
<i>Management Education, by Thomas H. Carroll</i>	6
<i>Managing and International Business, by William T. Brady</i>	14
<i>The Integration of Management Education Effort,</i> <i>by Walter Mitchell, Jr.</i>	19
<i>Decentralization of Authority in a Bureaucracy, by Bernard H. Baum</i>	25
<i>Business and the Social System: End of the Brumaire,</i> <i>by Clarence C. Walton</i>	33
Panel Reports:	
<i>The Information Explosion, by Dale E. Zand, Chairman</i>	44
<i>Intangible Factors in Management and Their Measurement,</i> <i>by S. K. Wolf, Chairman</i>	47
<i>Forces Shaping the Future of Management,</i> <i>by Harold F. Smiddy, Chairman</i>	48
Reports of Officers for 1961:	
<i>Minutes of the Annual Meeting, 1961</i>	51
<i>Report of the President</i>	53
<i>Report of the Vice-President: Special Report</i> <i>on the McKinsey Book Awards</i>	56
<i>Report of the Secretary-Treasurer</i>	58
<i>Report of the Editor, Journal of the Academy of Management</i>	59
Reports of Permanent Committees for 1961:	
<i>Report of Finance Committee</i>	59
<i>Report of Membership Committee</i>	60
<i>Report of Public Relations Committee</i>	60
<i>Report of Research and Publications Committee</i>	61
Reports of Special Committees for 1961:	
<i>Report of Academic Placement Committee</i>	62
<i>Report of Acquisitions Committee</i>	63
<i>Report of Awards Committee</i>	63
<i>Report of Constitutional Changes Committee</i>	64
<i>Report of Management Education - Curriculum Committee</i>	70
<i>Report of Regional Divisions Committee</i>	71
<i>Directory of Members</i>	72
<i>Academy of Management, Former Presidents</i>	Inside back cover

Program of 21st Annual Meeting, 1961

NICHOLS HALL, NEW YORK UNIVERSITY, NEW YORK, N.Y.

WEDNESDAY, DECEMBER 27, 1961

8:30 A.M. Registration—Lobby

GENERAL SESSIONS

9:00 A.M. *Greetings*

Auditorium. *George R. Terry*, President, Academy of Management, and Professor, Northwestern University
Joseph H. Taggart, Dean, Graduate School of Business Administration, New York University

9:30 A.M. *Management Education*—*Thomas H. Carroll*, President, The George Washington University

10:00 A.M. *Panel Discussion*: Leader—*Felix E. Larkin*, Executive Vice President, W. R. Grace & Company

PANEL SESSIONS

10:45 A.M.

5 Panel Sessions running concurrently:

1. Room 604. *The Information Explosion*—Chairman, *Dale E. Zand*, Professor, New York University
John F. Burlingame, Consultant Operations Research & Synthesis, General Electric Co.
Charles E. Silberman, Board of Editors, *Fortune Magazine*

2. Room 605. *Measuring Managerial Performance*—Chairman, *Norman R. Martin*, Professor, New York University
Harold Koontz, Professor, University of California
Richard F. Neuschel, Director, McKinsey & Company

3. Room 606. *Intangible Factors in Management and Their Measurement*—Chairman, *Sidney K. Wolf*, Professor, New York University

Glenn B. Gibson, Deputy Assistant Secretary of Defense
James A. Newman, New York Managing Partner, Booz, Allen & Hamilton

4. Room 706. *Forces Shaping the Future of Management*—Chairman, *Harold F. Smiddy*, Vice President, Academy of Management
Joseph Grunwald, Professor and Director, Instituto de Economica, University of Chile, Santiago, Chile
Donald G. Marquis, Professor, Massachusetts Institute of Technology

5. Room 504. *Management Information Center*—Chairman, *John R. Beishline*, Professor, New York University

GENERAL SESSION

Rodney C. Gott, Executive Vice President, American Machine & Foundry Company

David W. Herrman, Executive Vice President, Melville Shoe Corporation

12:00 Noon Auditorium. *Reports by Chairmen of the Five Panel Sessions:*
Leader—Harold F. Smiddy

1:00 P.M. LUNCH

AFTERNOON MEETING

GENERAL SESSION

2:30 P.M. Auditorium. *Management and International Business*—William Brady, Chairman and Chief Executive, Corn Products Company

3:00 P.M. *Panel Discussion:* Leader, Roy Blough, Professor, Columbia University

THURSDAY, DECEMBER 28, 1961

MORNING MEETING

8:30 A.M. *Registration*—Lobby

8:45 A.M. Auditorium. ANNUAL BUSINESS MEETING

10:00 A.M. *Future of the Academy of Management*—Ralph C. Davis, Professor, Ohio State University; Chairman, Constitution Committee of the Academy
Discussion: Leader, George R. Terry, President, Academy of Management, and Professor, Northwestern University

11:15 A.M. Auditorium. *Cooperation of Academy with Management Societies*—David J. Secunda, Vice President, American Management Association; Walter Mitchell, Jr., Executive Director, Society for Advancement of Management

12:00 Noon *Decentralization of Authority in a Bureaucracy*—Bernard H. Baum, Continental Casualty Company; Ford Foundation Doctoral Dissertation Winner, 1961

12:30 P.M. LUNCH

AFTERNOON MEETING

1:30 P.M. *Business and Society*—Clarence H. Walton, Associate Dean, Graduate School of Business, Columbia University

Panel Discussion: Chairman, E. H. van Deiden, Professor, New York University

Leader: William T. Greenwood, Professor, Arizona State University

Panel: Wayne Broehl, Jr., Professor, Dartmouth College
Richard Eells, Professor, Columbia University
William Fredericks, Professor, University of Kansas City

John A. Larson, Professor, Northwestern University

Joseph McGuire, Professor, University of Washington

Management Education

THOMAS H. CARROLL

President, The George Washington University

Today I should like to attempt to meet three objectives in these brief remarks.

First, I would like to present a sort of epilogue on the Gordon Report on Higher Education for Business, sometimes erroneously referred to as the Ford Foundation Report. I do this from the perspective of one now outside the Foundation and at least temporarily outside the academic pursuit of management education. Second, I want to take a broad, fresh look at management education in a way that may stimulate some vigorous, but I hope friendly, debate. And third, I want to present a few rather specific suggestions which I believe will result in the forward movement of the field in the years immediately ahead.

At the outset I want to make clear that I am using the term "management education" in its broader sense, i.e., education for management responsibility in contrast to its current use in some academic circles as an area of study or learning limited to the techniques of organization and the management process in the more technical sense.

In arranging for the study by Professor R. A. Gordon and others, the Ford Foundation did not have in mind the development of a blueprint or a single model program of education for business or for management at the undergraduate, at the post-bachelor professional, or at the doctoral level. Rather, we hoped for—and I sincerely believe we succeeded in getting—a responsible, scholarly analysis of the contemporary situation of higher education for business in the U.S. together with an honest and straight-forward presentation of the investigators' reasoned opinions concerning avenues for improvement.

Why did we consider this necessary when the Foundation had already taken steps to improve higher education for business, some of them quite substantial both in dollar investment and in potential implications for the field? Even though the statement may be repetitious for some of you, I think my best approach to an answer to that question is to repeat the foreword to the Gordon Report¹ that I wrote in July, 1959, and which reads in substantial part as follows:

"Higher Education for Business in America is essentially a product of the twentieth century. It represents the response of a democratic society to the educational needs of its industrial system. In recent decades business education at the college and university level has grown at a phenomenal rate. At present in the United States one out of every seven degrees awarded by institutions of higher education is in business administration. The number of degrees awarded in this field is second only to the number in education.

Although schools of business administration have now been assimilated into the academic structure of the United States, contrary to the situation abroad, many problems remain to be solved.

¹Robert Aaron Gordon & James Edwin Howell, *Higher Education for Business*, New York, Columbia University Press, 1959, pp. v-vi.

The vocational approach that has all too often characterized these schools in the past is now considered inadequate. A few institutions have been experimenting with new curricula designed to provide a more rigorous professional training within the context of a liberal education. The results achieved to date are highly promising. In such programs, increased emphasis is being placed on the application of the fundamental disciplines of the social and behavioral sciences to the problems of business administration. Previously only the relevance of economics had been fully appreciated. Another promising development is the growth in the application of modern mathematical and statistical methods to business problems.

These changes have generally been associated with a research orientation. Business educators in increasing numbers are recognizing that it is insufficient to transmit and apply present knowledge. It is the function of higher education to advance the state of knowledge as well. A professional school of business that aspires to full academic status must meet this test.

The Ford Foundation has been concerned with business education since 1954, when its Program in Economic Development and Administration was established. Although recognized at the outset, it became increasingly evident as the program evolved that an objective and comprehensive survey of business education in the United States was needed. Such a study would build upon the factual survey of member schools of the American Association of Collegiate Schools of Business that was conducted by Dean Richard L. Kozelka of the University of Minnesota.² R. A. Gordon, Professor of Economics at the University of California (Berkeley), was appointed to the Foundation staff in 1956 to direct the study while on leave from his University. With the cooperation of J. E. Howell, formerly a staff member at Yale and now Associate Professor of Economics at the Graduate School of Business at Stanford, and others, Mr. Gordon examined the objectives and educational methods of schools of business in relation to the requirements of business and society. . . .

A preliminary draft of the report was presented to a small panel of business executives and general and business educators for their constructively critical review. It was their consensus that the report's usefulness was such that it should receive widespread distribution. Certain suggestions for modification were made. The report was prepared in its final form by the authors in the light of these and other suggestions and of their further reflections. It does not in any sense represent a statement of Ford Foundation policy or of the opinions of its trustees, officers, or professional staff members.

Despite its youth in the American educational family, business education has become a numerical giant. The need for its improvement in the years ahead is evident. Its effective development can bring rich rewards to business and society both at home and abroad. This report is being published in the hope that through broad dissemination and discussion of the authors' findings and of a companion report on a study financed by the Carnegie Corpora-

²*Professional Education for Business, Report on Pilot Field Survey (1954).*

tion,³ a constructive contribution will be made."

Dr. Robert D. Calkins, President of The Brookings Institution, and former dean of the business schools at the University of California at Berkeley and Columbia University, frankly and succinctly expressed the views of a number of leading thinkers in the field of higher education for business when he said:⁴ "There is little if anything in the over-all findings that has not been known or suspected for some time by those broadly familiar with business education. The contribution of the two studies lies in their composite views of the field, some new evidence on attitudes and needs, an expressed rationale, and the attention to weaknesses that need to be remedied.

"The recommendations for reform represent thoughtful suggestions that deserve consideration . . ."

But the clear and simple fact of the matter is that all too few in education, let alone business, could be correctly described as "broadly familiar with business education." There were many hunches, mostly based upon experience with or knowledge about a single or a few schools, and there were more than the usual number of pre-conceptions and prejudices such as one finds in approaching a segment of education, whatever his vantage point may be.

Accordingly the hoped-for discussion to which I referred was considered essential for progress. It has occurred among both educators and practitioners of business. For the latter fact, the society can be principally grateful to the Committee for Economic Development which commissioned Leonard Silk, Economic Editor of *Business Week*, to prepare what might be described in the very best sense of the term as a popular summary of the full report. This was widely disseminated among businessmen and educators alike.

Among educators the Gordon Report has been discussed by individual faculties of business, by curriculum committees, by groups at specially-called conferences on the reports made financially possible by foundation grants and to which key general and business educators as well as business executives were invited, at meetings of the American Association of Collegiate Schools of Business, at meetings of regional associations of business schools, and even at general meetings of educators.

As might have been expected, any assessment of this discussion would reflect a mixed picture. There has been some criticism of the fact that the principal authors of both foundation-supported reports were professional economists, and there have even been some attempts to disparage their observations as either uninformed or prejudiced. In my personal opinion these charges are really quite unfair. There is justifiable reason for differences of opinion concerning their observations and recommendations, but they are scholarly-detached, sincere, and honest appraisals by able, informed and dedicated men.

On the other hand, many persons and faculties have been made aware of new developments, and their adaptation for use on at least an experi-

³ Frank Pierson *et al.*, *The Education of American Businessmen*, A Study of University-College Programs in Business Administration, New York: McGraw-Hill Book Company, 1959.

⁴ Robert D. Calkins, *The Journal of Business of the University of Chicago* (January 1961), p. 3.

mental basis in a relatively large number of schools has been promoted by the discussions held to date. The surface has only been scratched, however, and a great deal more needs to be done in all the schools, including the leading ones. This will necessarily entail both dedication and open-mindedness of an unusually high order.

An annual meeting of this increasingly distinguished Academy of Management is neither the time nor place to review in any detailed fashion the contents of either or both of the foundation-supported reports. If, however, there is still a single business school dean or professor who has not read both the reports, I believe that he has a professional responsibility to himself and to the institution of which he is a member to remedy that deficiency promptly. Similarly, any business executive who professes to take more than a superficial interest in the subject of higher education for business responsibility ought at least to read the C.E.D. summary in its entirety.

As a "bridge of thought," as it were, to my second objective I now refer to the series of propositions which Gordon and Howell presented so clearly in their report^a and which I accept fully.

"Collegiate business education should educate for the whole career and not primarily for the first job. It should view the practice of business professionally in the sense of relating it to what we have in the way of relevant systematic bodies of knowledge. It should emphasize the development of basic problem-solving and organizational skills and socially constructive attitudes rather than memory of facts or training in routine skills.

It should recognize that businessmen in the decades ahead will need a higher order of analytical ability, a more sophisticated command of analytical tools, a greater degree of organizational skill, a greater capacity to deal with the external environment of business, and more of an ability to cope with rapid change than has been true in the past. . . . These propositions (are) accepted by the more thoughtful leaders in both the business and educational worlds. Yet there are relatively few business schools that adhere consistently to these principles in the details of their educational programs.

. . . No single 'ideal' program should be imposed on all students and all business schools for a number of reasons. We do not yet know enough (and we never will) to be able to say that one kind of program is best under all circumstances; this is particularly true when we begin to spell out the details of curriculum, course content, and teaching methods. And then there are the elements of diversity with which business education must cope: the wide range in the kinds of careers that can be followed; the variation among students in ability, motivation, and resources to finance their education; and, last but far from least, the tremendous variation in the human, financial, and physical endowments of the business schools themselves.

. . . a flexible approach is needed."

When the more or less orthodox business curricula were developed the conditions of both business and education were quite different than they are today. I will not take time to substantiate this assertion except to

^a Gordon and Howell, *op. cit.*, pp. 127-128.

mention that (1) "in-house" education endeavors were rarely if ever heard of when most business schools were founded, (2) management development as a formal concept is principally a post-World War II phenomenon except in a few of this nation's leading companies, and (3) advanced management or executive programs in universities are also a new development of the past two decades.

Under these circumstances why should not colleges and universities take a fresh look at the field of business management, its needs, its challenges and its underlying problems? Could not a courageous, responsible and imaginative faculty wipe the slate clean and develop a new curricular approach to higher education for business? This might bear a marked lack of resemblance, at least in detail, to the curricula of the past which have persisted in so many schools or even to those that have been changing substantially during recent years.

In all fairness, I should offer a similar challenge to other professional fields, most specifically those of medicine and law. There, as in higher education for business, the development of new knowledge has been going on at a similarly rapid pace and the curricula have all too often been allowed to become proliferated.

If a brave faculty were to accept my challenge, I should like to offer some advice in the form of a question. Why not throw aside the thought that all or most courses must be offered on a two or three credit hour basis and that a specified number of meetings constitutes a "course"? I have come to respect increasingly the criticism of our British colleagues that we educators here in the United States are indeed guilty of "counting-itis."

It may be necessary to bow to the demands of business for some know-how in substantive areas. This could be accomplished through the presentation of short seminar-type courses, not necessarily small in size. The same order of challenge befalls the curriculum committee of a medical school whose graduates are expected to "perform" in certain areas immediately after receiving the M.D. degree. Is it realistic to assert that such learning should not be presented in such time and form as necessarily to exclude basic disciplinary work?

Such are the challenges that a professional school faculty must expect to face when the sum total of knowledge is growing at such a rapid pace. The goal is a graduate who has the essential basic knowledge and who has a keen awareness of the existence of professional knowledge which he does not possess in detail but can acquire as necessity demands, and who has developed an ability to cope with change as it inevitably occurs. Detailed knowledge of a vocational nature acquired in a university is likely to be obsolete before the student receives his degree. It is the person well-versed in the underlying disciplines who will be most likely able to adapt successfully to change as he faces it.

Some of you may be wondering what the accrediting agency will have to say. The people who make up the American Association of Collegiate Schools of Business are all responsible colleagues of business schools. They can reasonably be expected to respond affirmatively to a request for an experimental "exception" that is carefully developed. The faculty that presents such a request may be doing the Association a favor. The need is for more flexibility, for greater emphasis on qualitative factors, difficult as they are to assess, and less emphasis on the "counting-itis" of the

credits, degrees, volumes and dollars devoted to designated activities, important as all those matters may appear to be at a particular time when used as measures for unimaginative, maybe mediocre, replications of the better orthodox programs extant in the field.

In the process to which I have challenged the faculty, may I venture the thought that careful consideration be given to the interrelations of government and business administration—and even to international affairs. Do not the fields of government and business share the gradually systematizing body of knowledge in the field of administration?

Certainly both business and government administrators stand upon common ground in the increasing use of quantitative methods through which they maintain control over their organizations. It would further appear that the current accomplishments of the behavioral sciences and allied fields constitute a promising connective between work in international affairs and in business and public administration. It is not an exaggeration to assert that the actions of these groups create substantially the climate in which they all must function.

It has been my privilege to serve as the American board member at the outset of a new international enterprise in education that has not yet gotten off the ground. This is the International Institute of Social Studies in Geneva, a United Nations-associated enterprise under the specific aegis of the I.L.O. It exists in recognition of "the need for rapid economic development . . . (which) is the indispensable condition for a better life and better working conditions for the people of" lesser-developed countries. Specifically, its purpose will be "to help these countries build up their administration and institutions in the social field."

It is hoped that by furnishing a better understanding of the "nature of social and economic changes through which they are living," these lesser-developed countries will be better prepared to adapt the experience of others to meet their own needs. The participants are expected to be persons who now hold positions of responsibility and who thus make or influence social policy. If I were pushed for a statement of the Institute's theme, I would use the words "to develop a depth of understanding of the process of economic and social change as a basis for decision-making." This thought brings to mind a suggestion made by Mr. Robert Greenleaf of the American Telephone and Telegraph Company at a recent conference in Princeton. He gave what might have appeared to be an off-the-cuff suggestion that the time might well have arrived for some institution—presumably a university—to develop a management institute for leadership, in general, rather than for a fragmented portion of the total field in which a society's many leaders must act.

And now I address myself very briefly to my third objective, i.e., to present a "few rather specific suggestions." First, I express the truism that each person involved in education for management and those in management itself should do everything possible to "keep up-to-date" in his own best way.

Second, both in business and education the greatest possible care in the selection of persons for training should be exercised. In business the criteria for selection should be very different for those who are being trained to develop technical competence and professional ability as against those highly qualified specialists who are being trained for despecialization

with a view toward possible ultimate general management responsibility. Similarly, in the field of education when a faculty member is selected for a program such as a new development seminar, it should be clear that he is a strategic person whose experience will be shared productively with his colleagues upon his return. Certainly if there is no follow-up of such a seminar the investment cannot be considered very productive.

Third, I suggest that we inculcate as a theme for higher education for business the concept of preparation for change or innovation. We should not idealize change *per se* but recognize its centrality in the process of economic and social development.

Fourth, might I suggest very specifically to the educators that it become increasingly acceptable for professors to visit each other's classes in order to profit from multiple approaches to new developments. I should also like to see much greater encouragement for professors to take courses in areas for which they sense a great personal need. For financial reasons it may be difficult for a college or university to reduce the teaching load for this purpose, but perhaps the exercise of imagination would result in making funds available from some source for that purpose. This suggestion is made in the full realization that special summer or other programs now exist, but in entirely too modest numbers. An example of what I have in mind is "the information explosion" and the resultant need for many middle-level and senior professors at least to become acquainted with the potentialities and limitations of computers.

Fifth, in the realization that the approach must vary in different institutions, I want to urge a much greater emphasis on research in management. It may be possible to combine this objective with some teaching activities in the face of the financial stringencies in many institutions rather than to reduce teaching loads as almost every professor would like. Wherever possible, such reductions should, of course, be made. Consulting and other assignments should be more carefully arranged so as to make a contribution to the professional development of the faculty member as well as to furnish him with desirable additional income.

Sixth, in its own way each faculty should address itself to the question: Why has such little progress been made in the field of management research? It seems almost always to be the case that the busiest man is the one who accomplishes the most so that the obvious answer, failure to reduce teaching load, does not constitute a fully satisfactory explanation. In the course of this soul searching, it would be well to recognize frankly that business itself has *not* magnanimously supported business research. Greater mutual understanding between educators and businessmen, particularly in relation to what are looked upon as confidential business data, may constitute a partial answer to this problem.

And, finally, it might be well to discuss with foundations the inherent values in making research opportunities available to key older men with limited research experience while *continuing* the present emphasis, perhaps overemphasis, on supporting the young men of demonstrated ability and great promise. We must face the fact that a truly distinguished teacher who now possesses the desire to venture into the new and unknown but with little if any published research record has a hard time in getting support for projected research as against a young man who may have been granted a pre-doctoral fellowship, a dissertation fellowship, and a post-doctoral fellowship fairly close on the heels of each other.

There will always be serious problems of management. But their manifestations may be expected to change greatly with the passing of time. Higher education for management appears also to be here to stay. It, too, must change, however, not with the momentary shifts of the winds, but as basic developments and disciplinary fields open new horizons for accomplishment. The opportunities must be seized by both educators and business executives if social and economic progress is to be increased appreciably or if the maximum potential is to be even approached.

Managing and International Business

WILLIAM T. BRADY

Chairman, Corn Products Company

I begin my remarks this afternoon with a fable—a fable which illustrates, I feel, several important aspects of international business problems and questions that will face us in the future.

Once upon a time, there was a dog named Bowser. He was friendly and smart! He was also ambitious. His job—as an acrobat in a dog and pony show—didn't satisfy him. So, he studied between acts. And, in the course of his studies, he invented an automatic "bone-finder."

Bowser let the show dogs in on the secret. They found they could make the bone-finders themselves—and sell the product to other dogs they met on the circuit. Since the ponies were neighbors, the dogs decided to see whether the same idea could be applied to locating edible grass. It could. So, Bowser and his friends left the circus and set up a company.

The company continued mainly as a dog business for quite some time although it had a horse and pony subsidiary. Then, one day, Bowser met a cat at a "peace conference." He learned that cats were raising their living standards by hunting more fish. So, they went into the fish business. And just a week later, a carrier pigeon flew in with an inquiry as to whether the company could produce a worm-finder for birds. It could. Bowser called his management team together. "Look, fellows," he barked, "we're going to have an interanimal business here. It's the popular thing these days, you know."

Now, remember, Bowser was smart enough to do things right. He had cats managing the fish-finder factory and birds running the worm-finder plant. He sent cat representatives to cultivate the cat market and winged salesmen to knock on doors of bird houses. He put in training programs for kittens and financed a flying school for newly-hatched chicks. And, he turned the grass-finder operation over to the ponies.

Bowser tried to be a good leader, too. He made field trips over his interanimal domain. He sent dogs around to share new cost-cutting methods that had been developed at headquarters. More than that, the dogs tried to show the other animals how to achieve the wonderful comforts and freedoms that dogs enjoy.

The field reports looked pretty good to Bowser. But, some things weren't noted. For instance, the puzzled looks when an interpreter translated certain dog words into cat and bird language. Or the fact that when a cat went home to his own alley, he could only keep popular with the boys by saying he wouldn't trust a dog for anything. Or the blank stare when Bowser himself, at an interanimal sales convention—flanked by a cat on one side and a canary on the other—said: "Teamwork is what makes our business go and never forget that the top dog in your division needs your ideas."

That comment was the key to most of the trouble, you see. Somehow all of the top posts—the board of directors, the corporate executives—were filled by dogs. Somehow stock ownership was 90 per cent dog. And, somehow, the big money decisions and the ways in which profits were used and distributed were all arrived at in dogdom.

Soon, the cat production committee began discussing nothing but work benefits for cats. The birds resisted changing the worm-finder to make it useful to the seed-eating group. The ponies quit using the reports from the interanimal research lab because, they said, no dog understands what tastes good to a horse. So, the first company that ever prospered by going to the dogs began unprospering.

Bowser just couldn't understand it all. He was particularly shocked when *The Owl Street Journal* ran a story on the problems of Bowser and Company. "It's no wonder," said the writer, "because basically this company isn't an interanimal business at all. It's a colonial business empire!"

Well. That's the story. And I'm not going to make the usual apology that any resemblance to actual characters living or dead, is purely coincidental. As a matter of fact, I believe this little fable may raise a number of questions for all of us to think about, pretty challenging questions.

There are certain principles of international operation we all accept—at least, as principles. The autonomy of the national unit. The keying to local culture. The decentralization of responsibility. The availability of corporate services to all. But certain questions I have in mind may cause some pondering. I know they caused me to ponder. These questions I now wish to propose for your examination and study.

The first question is hardly new, but it's never old. Do we have adequate preparation ourselves when we deal with nationals from other countries? Can we truly say that we operate properly when we ourselves go abroad?

In the case of Bowser, for instance, they couldn't see that promoting the affluence of dogdom was taken as smugness and bragging. They didn't appreciate that a cat's tradition required him to work with his claws.

The dogs were not always in the wrong. At times, they were the victims. They were manipulated, at times, by their own over-eagerness to be popular; at other times, by their fear—well understood by the other animals—of not behaving as bosses. In this way they were jockeyed into the position of making unpopular decisions or of taking action without proper study and foundation. I wonder how many times we in the field of international business are caught up in similar situations.

The second question I want to pose is also concerned with the impression we create abroad. Are we effectively staffed for international operations—both at headquarters and in the field? What caliber of people represent us abroad? And what kind are needed? How broad and how deep are the minds which make the international decisions? How well is basic international information exchanged?

It pains me to say so, but we well know that many companies have made service abroad a term of apprenticeship for youngsters and an exile for its older misfits. We know also how many decisions greatly affecting overseas operations have been made in this country on the basis of little more information than we usually require to purchase a new automobile.

The next question is: Are we prepared, if the future dictates, to take a product-by-product view of international operations—rather than an area-by-area view? Wisdom may well so dictate. Traditionally, we have moved in terms of organization by geography. Yet, in the food business, at least, we have entered the era of the international brand. Corn Products

Company, for example, is not only selling but manufacturing European based Knorr soups in Latin America and now in the United States. Others are under market study. And, maybe the future will find some of us reorganizing our divisions around global product lines rather than by countries.

This looks especially possible when one considers how the European Common Market is already conditioning overseas businessmen to think of trade as a unit rather than a collection of products by countries.

Another question is: How complete should the local autonomy be about which we talk so glibly? Are we *really* willing to delegate full responsibility and the authority that goes with it to our international affiliates?

Business has an obligation to the community in which it operates. But, we are operating in many varying communities. Selling methods differ. Labor standards differ. Even the temper of the peoples as to what makes progress differs. In some cases, perhaps, to break the family tradition of management would be to ruin morale. In others, the following of directional signals to progress is the only system the people are yet ready to accept. Do we trust our international affiliates to understand such local factors better than we can? Do we appreciate that they may do things differently because it works better?

I am reminded here of something I read the other day. It was in Turkey, I believe, that a team of United Nations farm experts argued that stones should be removed from the fields to improve crop production. They won their point. However, the crop yields declined. The climate in Turkey is dry and the stones helped keep a little moisture in the soil.

What I'm thinking about here, of course, is delegation—something too many managers know too little about. They don't understand, in particular, that what you delegate is freedom—freedom to do the job as the man sees fit—freedom, even, to make mistakes. How this can be done effectively, done without too wide a margin for error, is one of the key questions in managing an international business.

This leads to still another question: If we do delegate completely to our international affiliates, how do we control? Or, more acceptably, how do we co-ordinate? The international enterprise must have some common goals and procedures—as well as rewards—or it has no reason for existence. What is the right machinery for achieving these?

My next question gets inside the royal family. Are we ready, somewhere down the line, in the future, to admit a "foreigner" into top management? A Latin American? A European? And, if so, do we really communicate management brotherhood when we think in percentages—one of their boys to so many of ours? Isn't it better to think of the best man to fill a particular job, regardless of his origin? And doesn't this viewpoint have to include the job of vice-president, maybe even president, of the parent company someday? Doesn't it require the company's central management training program to be in operation abroad as well as at home? Doesn't it call for free trade in personnel, their abilities and their ideas, with no artificial wall between countries and divisions?

The next question is this: Are we prepared to accept our international affiliates as *equals*? Are we ready to make them *full-fledged* partners in our *domestic* operations as well as abroad? This is a tough one, isn't it? We

recognize that the drive for social and economic betterment throughout the world is, at heart, a quest for national importance. We know that no one really feels important unless he can participate fully. We realize that America has no monopoly on business and financial brains. We have seen that overseas technical and scientific progress often paces our own.

But, how are we going to answer this question? If our answer is yes, it seems to me that we must find ways to make it tangible and visible to our overseas partners. We must communicate our domestic problems to them and be willing to listen to their counsel.

I think you will agree that these several questions are all crucial. They call for examination and careful consideration. Eventually, answers must be found. The questions are important not only in terms of business alone, but in terms of our world's future.

But, from a business standpoint, my last question is probably the most important of all. It involves the task of exercising leadership. Leadership, I hold, is the key management ingredient in international operations. It is always needed. It is also, I find, the quality most frequently lacking.

How do you build leadership of a big, sprawling, multi-cultured, international enterprise? What is leadership? How do you exercise it? How do you get it recognized and accepted? How do you give a complex company focus, precision, and proper direction?

The inference of these questions, quite intentional, is that in international operations, leadership is of particular importance. It is also of particular difficulty.

The symbol of leadership, as personified by an individual, is even more necessary in an international business than in a purely domestic one. And, in the conduct of international business, the components of individual leadership are also harder to come by. Just what are these components?

The needed dedication must be more resolute. If conditions in one country seem to verify the leader's policy, criticism in another country may discourage him. His conviction must be solidly grounded on what makes common sense in economics, what's good for his company and the people it serves—in any society. And his conviction must not be shaken.

The needed vision must be broader. The international leader has to reckon with more complexities in proving his ability as a prophet. Such factors as population growth, currency balances, science versus hide-bound tradition, and politics must be analyzed and quickly evaluated if the leader is to cut through the maze to see where each matter hinges.

The needed sense of timing is more delicate. It is difficult not to be hurried or panicked by such sudden, earth-shaking events as depressions and revolutions. To move at the decisive movement—when the situation demands, when the lead will be followed—requires an acute awareness of international trends and of national psychologies.

The true international leader cannot just be a person who happens to be there at the time when things happen and knows what to do—like the little Dutch boy who stuck his fist in the dike. He must be "the event-maker." He causes things to happen. Rather than just taking a certain fork in the road, he makes the fork. Rather than riding along with change, he

creates change. He triggers market demands and increases spendable income.

Now all of this, of course, is a tremendous responsibility. One's power must be wisely and conscientiously used. Authority over people cannot be seized. Rather it is won by the consent of the people. And this is no mean achievement in an international business made up of many different kinds of people.

The biggest job of leadership in the world today is that of translating our goals in such a way as they can be understood by others. It is only in this way that others will listen closely enough to discover that they can share these goals and follow our leadership.

I count upon this and similar management study groups to guide us along these lines—as you have done so well in the past. I predict that you will help to develop means through which international business operation *will* be better organized, international business communication *will* be better achieved, international business itself *will* be better led.

Certainly, there are few challenges more imperative. It is we of the business community, I suspect, who reveal the "face of America" to a better cross-section of people overseas than do diplomats or tourists. And, it is on such questions as we have discussed here that American business will be judged as honestly international or selfishly colonial.

If a company's purpose is only to make money, even worse to exploit local labor or raw materials, it is dead before it starts. Unless it can contribute in a substantial way to the industrial growth of a country and the welfare of its people, it had better stay away. However, if these things are done wisely and conscientiously, then welcome is earned and fair returns will follow.

This must be our purpose. _____

The Integration of Management Education Effort

WALTER MITCHELL, JR.
Executive Director
Society for Advancement of Management, Inc.

We have in this country what seems like a lot of management education thought and effort. Anyone who reads the circulars sent out by various associations and universities, the magazines published by various management groups, and the comments in mass circulation magazines, would certainly get that impression.

Yet, the total effort is weak in comparison with the need. With around 70 million people gainfully employed, somewhere between 3 and 4 million of these are "managers." The NICB estimates a total of 6,700,000 "managers, officials and proprietors, excluding farm." By this we mean individuals whose quality of thought, guidance, motivation, and appraisal of their employees and subordinates greatly influences both the productivity and happiness of the other 66 million employed, and of many who could be employed.

A great deal of effort has been made—especially since World War II—to improve the competence of those who are managers, and to speed the development of new managers. Inevitably this effort has been to some degree confused and disorderly, with resulting wastes and duplication of effort. This is a normal growth pattern in human affairs, a proliferation of species to meet a need or fill a vacuum; a somewhat Darwinian phenomenon. But with human institutions, natural selection and survival of the fittest can be superseded by cooperation, coordination, integration, or merger.

When the number of church groups, national customs barriers, engineering societies or college libraries proliferate beyond the optimum point, human intellect sometimes invents a less wasteful solution than Darwin found in the animal world. Man may evolve an Ecumenical Movement, a European Common Market, and Engineers' Joint Council, or Regional Associations of colleges.

The Extent of Management Education Effort

Is there reason to think about some ways to optimize the efforts going into adult management education?

We are talking here about the organized educational efforts directed at men five years or more out of school—mature men as distinguished from school or college students. More than 50 colleges or universities have courses labeled "Management" in this sense and directed at some segment of this market.

The American Management Association, by moving competently and aggressively to fill an enormous need, has grown in less than 15 years from less than half a million dollars budget to more than 8 million dollars per year. It serves 32,000 companies, and probably more than a hundred thousand executives or managers. The NICB has enjoyed similar growth.

A number of technical societies are operating in the management field—the majority of them founded since the beginning of World War II. The

name, date of organization, and membership of some of the principal ones are as follows:

<i>Name</i>	<i>Founded</i>	<i>Members</i>
American Society for Quality Control.....	1946	12,000
American Records Management Association.....	1956	660
Controllers Institute of America.....	1931	5,000
Systems and Procedures Association.....	1944	3,000
The Institute of Internal Auditors.....	1941	4,500
Society for Advancement of Management.....	1912	18,500
National Office Management Association.....	1919	18,000
American Society of Training Directors.....	1943	3,800
Industrial Management Society.....	1936	1,000
American Institute of Industrial Engineers.....	1948	8,300
		<hr/> 74,760

In addition a number of technical societies, not directly concerned with the study of management are operating in fields where a substantial part of their output is utilized by management. Among these are the following:

<i>Name</i>	<i>Founded</i>	<i>Members</i>
Special Libraries Association.....	1909	5,300
American Statistical Association.....	1839	5,700
American Marketing Association.....	1928	6,300
		<hr/> 17,300

Neither of the above two lists are by any means complete—omitted are all of the engineering societies—but they probably include the majority of membership represented in such societies. Actually, however, the total membership in all of these societies and the total of men benefitted by association and university courses is still a small fraction of the number of managers in the United States.

The coverage is even less than might appear from examining straight figures. Most of the societies listed above are decentralized chapter-type organizations, whose principal educational efforts are on an intermittent basis. They hold luncheon and dinner meetings, workshops and seminars, in their respective localities. They issue magazines and other publications. These activities compete in a degree with the residence courses offered by universities and associations, but are primarily complementary or supplementary thereto. Various samplings show that the typical man attending such a residence course is also a member of one or more of the listed societies.

Where the Duplication?

If these two ways of going at the problem are complementary rather than competitive, wherein lies the wasted effort and duplication? Certainly we should have confidence in top management leadership to judge which men can profit most by intermittent exposure to training without leaving the job; and which ones need the change of venue and perspective offered by residence courses away from the job.

If this is conceded, it appears that some of the reducible duplication of effort probably lies at the chapter level in the various management organizations. Examination of the activities and subject areas of several

societies in any given city will reveal a great deal of over-lap in the discussions. Among chapter and national officers of many of these societies we hear repeated reference to decreasing attendance at their dinners, educational functions, etc. A number of these societies are suffering from stagnant or declining membership—right at a time when the American economy is enjoying vigorous growth and the need for managers is greater than ever.

The two phenomena are obviously inter-related. Certainly it is better for the participant in any meeting or seminar, better for the speaker or the leader, if we can have one good meeting on that subject in the community this winter, rather than three poorly organized and poorly attended sessions.

The Washington, D.C., Chapter of SAM has, for the past two years joined with chapters of 4 other societies to sponsor a series of financial management meetings and workshops that draw 6 or 8 times as great a participation as any one of the societies could do alone. They are able to attract first-rate speakers and discussion leaders. But the progress which the members of these societies can make toward elimination of this duplication is, by the nature of the case, limited.

Top Management Encouragement

Here is a real opportunity for business leadership. The top management of business enterprise in the community can serve themselves, the community, and the country, well and at small effort. Usually the vehicle for it is readily at hand, often the Chamber of Commerce. For example, in Hartford, Connecticut, the Chamber of Commerce is already cooperating with some of the management societies to establish a Top Management Advisory Council, which can assist them in their effort to improve the quality and coordination of their programs by meeting once a year with the officers of each chapter to evaluate the past activity and help them to plan the future. SAM chapters in several localities have worked with such advisory bodies for several years.

As might be surmised, the collateral effect of such effort to serve the community is a growth in the membership of the local chapter of the society which takes this type of broad viewpoint. The very process of trying to present to top management an adequate picture of what has been accomplished—and what is proposed—serves to improve the quality of the chapter's planning and programs. Interest developed by members of the advisory council in turn leads them to encourage their younger executives to participate in this spontaneous local activity.

Not a National Merger

It may naturally be asked, "If coordination of these societies at the chapter level is desirable, why should they not be merged into a single management organization with a chapter in each principal city, and divisional discussion groups within each chapter?"

This would lose some of the values now being achieved. A majority of executives who have climbed through the committee and officer structure of a local chapter in a technical or management society, then served on its regional and national committees and boards, almost invariably state that this was an important learning process. A man develops management skills by practice.

As one veteran of this process puts it, "If a man can get a job done in his association with the help that he cannot hire, nor fire, nor discipline, he has learned how to motivate people and he will get along all right in our company." Another puts it, "We encourage any promising young man, especially in the middle management level, to join a technical or management society. There he has a chance to see planning and decision making in a different context than the one he encounters in our company. The mistakes he makes do not cost as much as they do here at the plant."

Hence, coordination to improve the educational quality among technical and management societies could bring losses as well as gains if done hastily and with too much enthusiasm.

A Pattern for Cooperation

However, there is a solution which would not run into the short-comings just discussed, yet would fill the need. The management societies which focus upon a particular technique or task of management have a common experience. When the member—usually after five years of membership, or more—pulls out of his technical specialty into a general management responsibility, he loses interest in his society. He may keep on paying his membership dues, but seldom turns up at chapter meetings and often is so completely lost to sight that he is no longer available for national leadership in his society.

Yet, his leadership could be useful to the younger men in his own society; and his own development as a top level manager could be accelerated by continuing this parallel experience of management in a voluntary organization. Here he must "ride bare-back without the saddle and stirrups of authority in a salaried structure."

Here the opportunity seems open to develop plans for cooperation—for example a reduced rate for "dual membership" in which the identity of each society, its objectives, its directors, its officers would be preserved; but its common interests with other societies could be developed to their mutual profit.

The first tangible evidence of such activity—as far as the business public is concerned—was the publication, November 1961, of a directory of chapters of the organizations that had expressed interest in the possibilities of coordination. This directory lists, in geographical order—state by state, and city by city—the 1,200 chapters of these several organizations, and the name of an individual officer with whom contact can be made. It is designed to facilitate the local program coordination discussed earlier in this article.

Before we have any more management education in this country, let's have it better organized!

College Graduates As Members

Such a coordination pattern could also benefit the students graduating from your schools, and assist the participating societies, in a spectacular manner.

The typical graduate from a college where an SAM Student Chapter is operating goes into some technical phase of management; personnel work, systems and procedures, industrial engineering, quality control, etc. Whereas the senior SAM chapter is glad to receive him into membership,

and this is the only way he can attain membership in SAM until he has earned his way above supervisory level in management, the SAM senior chapter membership may not be his current need in the first year out of school.

If an integrated program of advice and continuing technical education can be offered to these students through organized cooperation of the management societies, the graduates will be better served and the societies will gain membership of exceptional energy and quality. Some 12,000 students per year pass through the 190 SAM student chapters. The majority of these young men and women are potential members for one of the technical societies.

Economies in Housekeeping and Service Functions

The duplication and waste lies not in this leadership and in the true dynamics of the organization, but in mechanical, housekeeping, and service functions. Let me cite a specific example, or sequence of examples in which some of the members of this Academy have participated just recently. I refer to the Educator members of NOMA and SAM who have been serving on our respective boards and committees.

Merger of Magazines

The movement toward collaboration started with the realization on both sides that NOMA possessed a magazine with good advertising revenue and a fine format, but with an editorial content short of what NOMA leadership desired. SAM possessed a magazine of established editorial content, but very little advertising revenue.

Since the publishing of a magazine involves fairly heavy editorial make-up and type-setting costs, both societies can give all of their members a better magazine at a lower cost by the merger that takes effect January 1st. Each society will maintain a separate section in the magazine for news and notes about its chapters and members. Beyond this our editorial facilities and technical talents are pooled. The new magazine's annual cost will be about 25% less than the combined budgets of the two magazines previously.

Further Pooling of Service Efforts

As you might surmise, we have discovered that both societies maintain addressing machines that are used less than half the time yet eat up full-time rent and payroll. The pooling of these facilities would save money for both.

Comparison of the operating manuals supplied by both societies to their chapters, indicate that many of the technical aspects of chapter operation are almost identical. Classified lists of speakers and workshops overlap to a very great degree. The regional structures and method of administration in both societies are strikingly similar.

In short, with a very limited briefing, the field staff of NOMA could service SAM chapters as well as their own, and vice versa. Since this is the high-priced portion of any association staff, and travel does not come cheap these days, the possibilities appear worth further study. Normally an association executive can service only one chapter per day because of the travel time between stops. When he visits a city if he can meet with the chapter of one society at noon and the other in the evening, we have doubled the productivity of a high-cost, skilled man.

Substantial Savings

Without reviewing further details, gentlemen, it appears to us that a saving of from 50 to 75,000 dollars per year can be realized in the budgets of these two societies alone by the several moves under consideration, without impairing the identity or objectives of either. This saving can be used to improve the service to the chapters and members. Is this good management?

Decentralization of Authority in a Bureaucracy

BERNARD H. BAUM

Director, Organizational Analysis
Continental Casualty Company
and

Lecturer in Business
Graduate School of Business
University of Chicago

Introduction

The purpose of this paper is not to discuss the specific details of decentralization of authority in the Federal Civil Service, but rather some of the more general problems of decentralization of authority in bureaucracy which my research highlights.¹ Students of management have become increasingly interested in the behavioral science approach to organization and administration. This interest is reflected in the papers presented at last year's meeting—particularly those of Professors Rubenstein and Moore, and Dean Schlender.² From my perspective as a sociologist this is as it should be.

Let me note briefly the basis and limits of my observations. This case study involved the U.S. Civil Service Commission's³ program of decentralization of authority for personnel management to the independent operating Federal agencies. To the extent then, that it is based on:

1. *Governmental activity*—decentralization of authority was legislated on a "blanket-wide" basis and bound up in rules and regulations;
2. Specifically and only authority for *personnel administration*—involving only a segment of management responsibility; and
3. A case of decentralization of authority to *outside agencies*—although this is not peculiar to the government; (an analogous case in industry for example, is Sears, Roebuck and Company decentralizing authority to manufacturing companies to write up order forms for Sears stores, at the suppliers' discretion, on Sears order forms, the study may have more or less applicability to business management.

The basic question, however, is generally applicable. What does decentralization of authority mean in operation? As business organizations become larger and more bureaucratic, a crucial question confronting management is how and to whom authority should be decentralized. To help determine the answer I compared actual patterns of human behavior with the norms set forth in official statements.

¹ Bernard H. Baum, *Decentralization of Authority in a Bureaucracy*, (Englewood Cliffs, New Jersey: Prentice-Hall, Inc. 1961).

² The Academy of Management, *Proceedings of the Annual Meeting, 1960*, (Tempe, Arizona: Academy of Management, c/o School of Business Administration, Arizona State University, 1961).

³ Hereinafter referred to as the Commission.

Analysis of Actions

One of the principal functions of the Commission in implementing the government personnel management system is position classification. Simply stated, position classification is the evaluating and assigning of the multitude of jobs in the civil service within a grade structure to provide equal pay for equal work. Since 1949 the authority to do this has been vested with the operating Federal agencies.

To learn how decentralization of authority actually operates, the research design called for a statistical analysis of classification actions taken by agencies under delegated authority. From my point of view, analysis of classification actions provided an ideal index of agency use of authority for two reasons. First, position classification is precisely the function in which "institutional office" and "person" converge. Second, somewhat less academic but more pragmatic, current research pretty well has to involve objective phenomena and quantitative data and position classification decisions provided these.

But these data don't tell the whole story. In order to understand differences within the total operation—represented by the statistical data—I made an effort to go below the disposition of cases, the rules, and the regulations, and conducted extended interviews. These were designed to reveal the attitudes and thinking, and to explain the actual behavior of participants in the decentralization of authority program, thus spelling out the statistical material.

The basic data are a summary and analysis of a random sample of 1,353 agency classification actions, post-audited by Commission inspectors. The Commission recommended changes in sixteen percent of these actions. Whether this figure means that the agencies are not highly competent to do this work, or whether it means that standards are so difficult to apply that there is much room for differences of opinion, or whether it means that this is as good or satisfactory a percentage of correct actions as can be expected by anyone, is difficult to determine. Such a determination is in the last analysis arbitrary.

An analysis of the actions changed by the Commission significantly reveals that there is a definite upward pressure of classification within the agencies. Errors in judgment with regard to classification are not random, since 81.6 per cent of the changes recommended by the Commission were changes downward. This is the result of pressure by both the incumbent of a position, and the head of the agency for reasons of prestige and status. Any upward changes recommended by the Commission were almost exclusively in lower-grade jobs. (My discussion of a specific Defense agency gave an example of such pressure.)

The pressures such as "empire building", "holding 'good' men," etc., for upward classification, are relatively constant, yet their effect varies between agencies. The grossest violations were found in the Defense Department. There, officials favored a wide area of discretion for themselves and were highly critical of the Commission's claims of decentralization of authority. It may be noted that most of the heads of these agencies were active military officers. Differences in agency functions and the characteristics of agency officials account in part for variations in pressure from agency to agency.

There are two possible ways in which errors can occur in classification, poor judgment (or lack of technical data) and mal-intent. One signifi-

cant way to remove the errors caused by mal-intent would be removal of available techniques for exerting adverse pressure. One such technique is the wording of a classification description so as to make the position appear to require a higher grade than it does. A second technique is the classification of a job so that no suitable Commission list of eligibles exists and thus the agencies can hire whom they choose. In the area of recruiting and placement, agencies often have ways of discouraging prospective applicants who are considered undesirable, so that these applicants never, in fact, apply for a position. Since, essentially, authority has been decentralized to "offices" and not "persons," the use of such techniques varies, and the nature of agency personnel is a crucial variable.

Interview Findings

Perhaps a most significant finding of my research was the discovery of a dichotomy, or a continuum, of evaluation of *what* had been decentralized to the agency, as viewed by agency personnel. Some saw a decentralization of *authority*; others saw *work*. The basic distinguishing characteristic was the right to make decisions within the broader framework of policy. In the "excellent" agencies (as rated by the Commission), officials viewed what had been delegated to them as *authority*. It would seem that these officials have internalized the Commission's basic policies and philosophy. In the "poor" agencies, officials viewed what had been delegated as *work*. Apparently, in these cases, the Commission had been unable or had failed to place people in the socio-psychological environment that would adapt their decisions to the Commission's objectives. Thus, in "poor" agencies, officials feel that they are doing Commission work with agency money and personnel. In the "average" group, the heads rated what had been delegated as *work* while the directors of personnel viewed it as *authority*. We might hypothesize that the basic commitment of the agency head is to the functioning and goal of his agency, whereas the personnel director's basic commitment is to personnel administration. The differences in conception may be a reflection of the conflicts of interests, and the meaning and role of this differential perception in decentralization of authority warrants further research.

On the basis of these observations, it would appear that if decentralization of authority is to be effective, from the Commission's viewpoint, the Commission must: (1) do more with education of agency officials in basic Commission philosophy, (2) take a more active part in advising the Executive Branch with regard to appointments, and (3) most significantly, be selective in its decentralization of authority.

The relationship between the Commission's rules and regulations and the merit system, and actual operations is ultimately a quasi-legal question and reflects the disparity between law and actual human behavior. The interviews of Commission personnel reflected a vague feeling of uneasiness regarding their role *vis-a-vis* the agencies, a conflict between exaggerating deviation to show the need for the Commission and holding down the number of such violations noted to keep personnel work in the agencies. In written reports, the Commission tends to minimize all except the most flagrant violations in order to maintain its vested interest. In audit reports and actions, the personnel director is frequently found to be "caught in the middle."

Another issue in the reliability of such audit reports is the weighting or importance given to specific standards by Commission Inspectors them-

selves. Public Commission statements concerning the requirement of strict adherence to the law are unrealistic since corrections of violations are made only where errors are discovered. According to Commission officials, a three per cent violation rate is considered satisfactory. Decentralization of authority has never been revoked by the Commission for reasons of undue violation!

Since the Commission is a collection of individuals who, although working in a single organization, do not present a united front, it would seem that the personal equation might well receive more consideration in terms of decentralization of authority within the Commission itself.

The extended interviews with persons in the Commission and agencies were conducted with a view to determining how Commission and agency personnel actually view the decentralization of authority program. The first question which we asked of these persons was: What does the Commission's program of decentralization of authority mean to you? How would you define and explain it in terms of human behavior rather than legalistic terms?

In the above question we tried to avoid biasing the answer of the respondents while, at the same time, discouraging their answering the question in purely technical terms which did, in fact, occur. On the whole, Commission officials saw the decentralization-of-authority program as a not altogether successful effort to delegate personnel work but deplored the opening of the door to agency machinations. All officials highlighted the technical considerations of "speed" and "efficiency." The program was also seen as a reflection of a change in the role of the Commission within the total configuration. Only one respondent saw the program as an opportunity for greater individual participation and development, although this point is much stressed in the literature.

The response of agency heads reflected their orientation toward their operating function. Career-minded agency officials are prone to manipulate Commission authority as part of the process of accommodation. Heads and personnel directors who favor a wide area of discretion for themselves tend to view claims of decentralization of authority as an attempt by the Commission to disguise the fact that agency officials have little real freedom in decision-making.

In answer to a question concerning the advantages and disadvantages of the decentralization of authority program as compared with the old system, the major advantage universally mentioned by the respondents was speed. This highlights the fact that formal and technical considerations of the program predominated in the thinking of officials, and the extent to which other goals are being served by the program might well be questioned.

Despite their reservations regarding the current program, agency officials, *en masse*, list only advantages to the program as compared to the old system. To the Commission officials, such advantages as speed, flexibility, and knowledge of local conditions tend to lean toward the benefit of the agencies. These latter may imply a disadvantage from the Commission's viewpoint, that is, the extent to which they offer the possibility of circumvention of Commission policy. The Commission's conception of personnel administration can then be placed in whatever position within the agency the head's hierarchy of values dictates. This, from the Com-

mission point of view, limits cooperation and uniformity. The loss of uniformity, while posing no problem to the agencies, is seen by the Commission as foreshadowing the cessation of a single system of personnel administration.

Responses indicate that a crucial variable is not only the system, *per se*, but the existence of the Commission viewed by the agencies as an opposing force within that system. There are variations in the degree of unity of goals. In an effort to determine how agency officials do, in fact, conceive of their relationship with the Commission, I asked them how they would characterize their relationship with that Office and how this relationship differs, if at all, from the relationship prior to decentralization of authority. All indications are that there has been a minimization of fear in the relationship. Depending on the nature of the agency and its officials, the relationship is more or less on a continuum of friendliness to antagonism.

As the interviews proceeded, it became clear that responses followed a limited pattern revolving around respondents' basic orientation and that a limitation in variables existed which we caught in the first few questions.

Related to the lack of a unified goal, and a recurring theme through much of the material collected, was the lack of sufficient training in personnel administration and education for the acceptance of responsibility under a philosophy of decentralization of authority. This represented a problem area in the case at hand.

A limitation in achieving a unified goal, from the viewpoint of Commission officials, is what they perceive as the poor caliber of some personnel officers, in addition to the lack of sufficient financial resources for adequate training. Agency officials, however, see somewhat different problems in the decentralization of authority program, but the underlying problem, as they view it, is the failure of the Commission and its staff to understand and appreciate the problems of the individual agency in operation.

We found that our sample of agency officials vehemently opposed an idea, originally proposed by the Commission in 1932, that agency personnel directors be Commission employees. In various ways, they expressed the general feeling that there exist pressures, loyalties, and human feelings in personnel administration and these should be in the direction of the agencies. The responses of Commission officials were mixed but, both agency and Commission officials indicated that bias and organizational loyalties are a determining factor in the behavior of personnel officials. Thus we find that only to the extent that the system, as fixed by Commission, and the agency heads are in harmony can there be no conflict of interests.

The basic difference in the orientation of Commission and agency officials lies in the existence of a divergent hierarchy of values. The Commission exists, in part at least, to maintain standards and has, as one of its governing principles, the implementation of such standards. Agencies exist for a diversity of purposes and their officials view their function as fulfilling the purpose for which the agency was created. Personnel administration is simply one phase of their activity. In operation, we find that agency officials tend to view the Commission as a negative force, even

under decentralization of authority, while they tend to view themselves as a positive force.

Just a few words about the terminology in which the program is formulated. It makes a difference. In this case for example, the Commission representatives who visit the agencies are called "inspectors"—not "advisors" or simply "representatives." On the other hand the Commission uses the term "recommendation" in a rather euphemistic sense, since (and I quote) "compliance with recommendations is required."⁴ I would submit, as regards the term "recommendation," that "a rose by any other name" appears to apply. In terms of decentralization of authority, in effect, it could as well read, "corrective action ordered."

Conclusions

Our study indicates five basic, interrelated factors crucial to an understanding of decentralization of authority in a bureaucracy. First and foremost is the observation that decentralization of authority, was conceived and implemented to maintain the existence of the Commission. Thus we conclude that this decentralization program is a strategy designed to save a vested interest. There is evidence that delegates' viewing of this program as a strategy actually hinders the development of what is classically conceived as the essence of decentralization of authority—individual judgment, initiative, and improved morale.

The second observation is that blanket-wide decentralization of authority characterized our case and represents a critical problem area.

Thirdly, the effort of the Commission to change its role, from a 'police' to an advisory body, has not been universally recognized as successful within the Government itself. The problem of reconciling role can be seen in the dilemma of control and decentralization of authority, and the fact that the Commission cannot rid itself of responsibility for accomplishing its function.

The fourth significant finding of this study is that there exists in the Federal Civil Service a lack of unity of goals. It would appear to us that to decentralize authority without adequate achievement of a reasonable harmony of goals, as was the case here, may well result in the problem situations I observed.

My fifth observation is that decentralization of authority occurred in an organized hierarchy of functional positions lacking adequate reference to the incumbents. Such decentralization of authority leads to the "scientific management" approach to decentralization of authority rather than the "human relations" approach. To the extent that agencies fulfill Commission expectations, decentralization of authority operates in an optimum manner, but where they do not, the program is hampered and agency officials claim that what they get is work, not authority. Under the Commission's legalistic interpretation, a rule having been issued defines authority. Realistically, a greater degree of authority rests with the agencies.

Basically, I would concur with the late Leonard D. White that authority should be decentralized, subject to conformity with basic principles and policies as set down by legislative bodies. This requires the implementation of experts in the field, and the Commission is presumably a

⁴ U.S. Civil Service Commission, *Inspection Procedures*, Civil Service handbook A-901 (Washington: Government Printing Office, 1955), p. 25.

basis on which to build such an organization of experts. Its position, however, would not be one of line authority, for it has been shown that conflict can arise from line and staff functions combined in a single organization.

The question is not whether or not authority ought to be decentralized but, when it is, *how* and to *whom*.

Implications

This research allows us to make limited inferences concerning the study of decentralization of authority. One factor to be taken into account in such studies is not the objective existence of an articulated program of decentralization of authority but rather how persons involved in the program, and thus affected by it, perceive it. This conception helps to determine and explain actual behavior. We might say that the degree of successful integration that may be achieved by a central authority with its operating units in the performance of functions, is directly proportionate to the degree of successful decentralization of authority. This implies the existence of an adjusted goal, symbolic of an understanding which would tend to spread outward from the point of integration to both parties.

A mutually satisfactory decentralization of authority program appears to require delegation of practically all minutiae of administration to the agencies. This the Commission failed to do. Indeed, the current setting of decentralization of authority in the Federal Civil Service is probably best revealed in the following Commission statement:

The size of Government requires that personnel work be decentralized—that is, authority to hire, promote, etc., must be given to the man directing operations in the job. At the same time, the Government is regarded as a single employer, and employees in different agencies and different places must have the same general conditions of employment. A fairly *complex set of governing regulations* is required to reconcile these two needs.⁵

The realism, in terms of human behavior, of reconciling a dilemma of this nature through the use of a "complex set of governing regulations" is subject to careful study.

Premised on the orientation and competence of agency officials, the rewards for independent judgment should be greater than the penalties for failing to conform to the higher authority's pattern of thought. The additional requirement is the clarification of the role of the central authority in decision-making.

Basically, it is the system and the perception of the system, rather than any single control, which produces such frustration and negativism as is found. Fundamentally, mutual confidence, trust, and orientation must precede, to the maximum extent possible, decentralization of authority.

A study of this scope can, at best, afford a starting point for a discussion of characteristics and problems of decentralization of authority and other similar processes in bureaucracy. It should be one of many more specific

⁵ U.S. Civil Service Commission, *The Government Personnel System*, Personnel Management Series No. 4 (Washington: Government Printing Office, September, 1954). My italics.

studies. From these a more rigorous classification of systems of decentralization of authority might be developed and patterns of behavior could be analyzed in terms of this resulting typography.

My research indicates that decentralization of authority in the government was conceived as a technical procedure, imbedded in rules and regulations. It appears to me that effective decentralization of authority must be conceived of in human relations terms; i.e., we must view organization as a flexible and dynamic organism so that decentralization of authority proceeds as a reflection of the philosophy of management and takes into account differences in qualifications and orientations of subunits and incumbents of positions. To put it succinctly, one can't draw a new organization chart and say that authority has been effectively decentralized.

Business and the Social System: End of the Brumaire

CLARENCE C. WALTON

Associate Dean & Professor of Business
Columbia University, Graduate School of Business

The Essayable Teleology

There was a time in our recent past when vocal groups of perceptive men were repelled by excessive concentrations of industrial and economic power, and angered by what was felt to be the moral bankruptcy of those interlocking directorates which controlled such combinations. The time and the reaction were not unlike that murky twilight of the French Directorate when Abbé Sieyès successfully upset the old oligarchy and created a new one called the Consulate. That interim period, the *brumaire*, was a time when Frenchmen knew what they disliked but were unsure to what institutional forms should be entrusted the nation's future.

Some of the same uncertainties mark the present. What Charles and Mary Beard felicitously called *American in Midpassage* marks a stage in a journey that is tumultuous enough to generate perplexity on the real goals of our society and the part business should play towards their achievement.¹

Even within the limited perspective of the last score years it is evident that the peaceful revolution has swept many old practices into oblivion. Defense spending has dramatically eroded the notion of competition for several major industries, notably in electronics and in aircraft, and has replaced the old market mores with the concept of negotiated arrangements. Urbanization has reached such an intensive stage of development that "megapolis" is the latest semantic innovation embossed on the coinage of our intellectual exchange system to describe the phenomenon. Affluence has so replaced scarcity as a major concept in economic theory as to encourage Galbraith to essay a reformulation of the historic law of supply and demand; and automation has become a business opportunity and a national challenge. And so it goes.

If the major changes in society and in business institutions are fairly obvious, the implications are not. The traditional national penchant for hasty and ingenious improvisation in the face of new demands must be complemented with a more rationally developed kind of social innovation lest, like Telegonus, we unwittingly kill the father of so much in our national progress. These observations lead inexorably, if leisurely, to a confession of need for re-examination of the relationship between a democratic society and a dynamic economy. While a kind of enlightened eclecticism is required to sort out the major characteristics of modern society and modern business, the teleology which governs this inquiry is concerned less with this aspect and far more with probing into the implications these new facets have for the future. A "fact-oriented" approach can itself be

¹See Henry Wriston, ed., *Goals for Americans*, (Englewood Cliffs, Prentice-Hall, Inc., 1960), and *Strategy For the Sixties*, (Washington, D.C., Foreign Policy Clearing House, 1960).

misleading unless facts are placed within a certain context.² Worse still is the ever-present danger of asserting as fact that which is assumption, and then going on to develop with enormous ingenuity the relationship among them. History abounds with intriguing examples of first-rate minds explaining facts that never were.

Consider only . . . Hegel solemnly explaining why there could be only seven planets and none between Mars and Jupiter just as Piazzi was discovering Ceres in that very region; the talented physiologist Johannes Muller explaining why the rate of transmission of the nerve impulse could never be measured just a few years before Helmholtz proceeded to measure it; J. S. Mill explaining the impossibility of sound statistical studies of human behavior long after Quetelet and others had conducted such studies.³

When micro-analytical studies reveal such tendencies, the dangers inherent in a macro approach such as this become doubly hazardous. Yet, in its rich and variegated detail, American society is more a Bayeux tapestry where the whole must be distinguished from the detailed components. To begin the search for perspective it is proposed to raise four major questions:

- 1 What is meant analytically by the generic term "social system"?
- 2 What are the specific attributes of the American social system?
- 3 What are some of the primary questions which have special relevance for the business community in its relationship with the larger society?
- 4 What are the implications of the foregoing issues for professional education in business?

If it is clearly understood that the questions are put in a general way to excite further discussions and not to elicit definitive answers, this treatment may be modestly productive.

1. The Meaning of a "Social System."

A preference for the term "social system" over the term "society" has been deliberately indicated. "Society" generates paradoxes since it is used at times in too restrictive a sense and, on other occasions, in too embracing a context. In a restricted way, it can be legitimately applied to as few as two human beings—such as husband and wife—and in a universalistic sense it can be applied to the nation-state or, indeed, the world community. Society embraces all facets of human living whereas social systems relate to the *observable structure and organization through which basic human needs* (religious, sexual, political, economic, and cultural) *are satisfied*. Since systems have structure and organization they imply permanence, are more subject to scientific scrutiny, and operate according to defined principles.

²Carl Becker, "What are Historical Facts," *The Western Political Quarterly*, VIII (September, 1935). "We know where we are when we say 'we get down to facts' but even the established facts of history are illusive unless placed in a certain context," p. 327.

³Robert K. Merton, Leonard Broom, L. S. Cottrell, Jr., *Sociology Today* (New York, Basic Books, Inc., 1959), p. xiii.

Economic life is thus a social system. As such, it has within its own sphere an autonomy and a body of governing principles by which it can be explained. Since the system exists to meet a basic need for goods and services, it cannot be decreed out of existence by other social systems even when these others are essentially hostile to it. Thus, for example, the hostility of the early Greeks and Romans toward the business system may have hobbled the effectiveness of business but surely could not destroy it. Similarly, the Church Fathers were ill disposed toward the merchant class but recognized that the exchange function had to operate within a certain context. Slowly even the "laws" of the market were grudgingly given a rightful recognition.

If there is autonomy within its sphere, it does not follow that there is isolation between the social systems. All are contrived to serve man. All have, therefore, a common focus emerging from a common object. Since man has different priorities for needs which flow from his essential nature and from the changing circumstances in which he finds himself, it is evident that a constant interplay occurs among the various social systems.

Perhaps the logic of this section can be shunted to one major proposition which asserts that *there can be no real dichotomy between business and other major institutions which comprise the total society*. This apparently tautological view has important implications. It repudiates, for example, the major assumptions of classical economics which held that the economic order not only operated under the sovereign and impersonal rules of the market place but that individualistic self-seeking—subsumed under the profit motive—automatically assured the social good.⁴ It furthermore is hesitant to accept the major thesis of a recent study which held that industrialism ("social organization where industries, including many large-scale industries, are the dominant method of production") must inexorably forge "new and fewer distinctive cultural patterns." "Authority must be concentrated," according to this study; further, consent becomes more crucial than coercion, and the State will survive and prosper.⁵

When it is remembered that the nineteenth century apotheosis of the economic system had enormous significance for political theory (witness the Spencerian version of the State as being a necessary evil whose *raison d'être* is found only in the requirements for protecting property rights and assuring national security), it is not illogical to assume that any similar attempt to place primacy for society's purposes and systems on industrialism must likewise have similar implications. It is our own view that the interplay is constant, and that no single system can be assumed to possess an eternal primacy. At one time political needs may dominate and, at quite another, cultural considerations.

In terms of a general and analytical framework we can conclude, therefore, that while each social system must be studied within the framework of that system's purposes and principles it is inaccurate to conclude that (1) a splendid isolation—even when maintained in theory—can be sustained in fact, and (2) that any single social system provides the primary determinant for a given society. Consequently, rich cultural diversities can exist even when other systems—like the industrial one—may become quite

⁴Edward Mason, "Apologetics of Managerialism," *Journal of Business*, XXXI, (January, 1958), pp. 1-11.

⁵Clark Kerr, John Dunlop, Frederick Harbison, and Charles Myers, *Industrialism and Industrial Man* (Cambridge: Harvard University Press, 1960), pp. 97 and 288-90.

uniform. The actual interplay can be worked out historically by disparate systems in quite different ways. If comparative studies can start from certain common bases, they must also move fruitfully to identify specific differences.

2. *The Specific Attributes of the American System*

To a general understanding of social systems must be added those features of American society which have burgeoned from that unique amalgam of new people exploiting virgin land under demonstrably different historical conditions. Eminent scholars like Hacker are quite prepared to establish those differences which have provided the color and romance for the American epic.⁶ But tradition, too, is subject to refinement and adaptation, and we must address ourselves to the significant changes in our American system. The past century provides a ready-made model for analysis.

The watershed is 1890 and the census of that year is possibly the most significant decennial report in the country's history. Prior to 1890 the characteristics of our society could be lumped under four headings: agrarianism, individualism, parochialism, and optimism. Against these may be posited the lineaments of the new America: industrialism, organizationalism, internationalism, and a grim kind of realism. A cursory review of the respective halves of the century is illuminating.

During the last half of the nineteenth century most Americans earned their livelihood by tilling the soil. Homespun virtues of rural life were evidenced in a passionate belief in God and Divine Providence, in personal frugality and industriousness, in affection for such simple fictional heroes as Mark Twain and Huckleberry Finn. Within the business sector the dimensions easily perceived by observers were the same ones which impressed themselves on the far-ranging vision of Adam Smith. Individual enterprise meant precisely that and skepticism of combinations was still strong despite stirrings by the Rockefellers and Carnegies. The market was still the arbiter of business operations; supply and demand made themselves felt under a brand of competition that created quick bankruptcies as well as quick profits. And the entrepreneur put his own money and energies on the line. *His* enterprise's success was *his* personal success and societal expectations, slowly changing, nevertheless recognized that the fruits were his to dispose as he willed.⁷ For all practical purposes, the Revolutionary ideal of small businesses run by small businessmen remained the ideal for the American economy.

Parochialism, the third aspect of the post-Civil War period, is a form of shorthand to describe the country's intense preoccupation with internal growth and development. The vast sweep of land from ocean to ocean provided a common market of truly heroic proportions. Americans still bought more from abroad than they sold and only a few venturesome souls dared suggest that the pattern was soon to be reversed. The 1890 census revealed as a fact what a few suggested, namely, that for the first time in its development America recorded a favorable trade balance. The sequence of events was easy to discern. Overseas markets meant need for merchant

⁶Louis Hacker, *Triumph of American Capitalism* (New York: Simon and Schuster, 1940). "The tradition of the Enlightenment, the American Revolution, Jeffersonianism, Old Radical Republicanism, Popularism—this is the American tradition," p. 435.

⁷Sigmund Diamond, *The Regulation of the American Businessman* (Cambridge: Harvard University Press, 1955).

shipping; merchant ships required naval protection; combat vessels required refuelling and repair stations. Within a decade the flag flew over Hawaii, Guam and the Philippines in the Pacific and the Virgin Islands and Puerto Rico in the Atlantic. The myth of isolation defied the fact!

Events outpace the narrative. Returning to the pre-1890 period we note that the country was literally saturated in a doctrine of progress quite translatable in terms of Condorcet's easy formula: every day in every way things are getting better and better. If there is an inclination to decry such buoyant optimism it must be restated that there was ample ground for the conviction and ample support from theoreticians who sought to rationalize it. The American character was thought to be something special over and above that of the ordinary men populating other nations.⁹

But behind the facade profound changes were taking place. The prevailing value system rested on an individualistic ethic—defined crudely as reliance on the enlightened self-interest of the single human person for the achievement of his own destiny. The social good was presumed to result from the sum of individual goods. This individualistic ethic had long historical underpinnings. Renaissance secularism, Protestant subjectivism, and economic liberalism were European imports engrafted on native soil. According to Frederick Jackson Turner the frontier became the catalyst for transmuting secularism, Protestantism and liberalism into meaningful terms for Americans.¹⁰

Yet, like the political isolation rooted in American parochialism, the individualism rooted in the European and American amalgam was under assault. The religious content of the individual ethic was being eroded in western Europe by men like Giosue Carducci in Italy, Ernest Renan in France, and Friedrich Wilhelm Nietzsche in Germany. A partially acknowledged anti-Judaism intermingled with a fully acknowledged anti-Christianity to provide mortar for the intellectual bombardment against western religions on grounds that they were oriental and, therefore, repulsive to the European tradition. Renan's *Origins of Christianity* particularly stressed the fact that Jesus and his followers were Jews and part of a barbarous Asiatic tradition. Carducci glorified paganism in his hymn, *To Satan*, as the source of liberty even as religion was its antithesis. Riding a chariot of fire, Satan is the emblem of revolt against Jehovah and the symbol of modern scientific progress. Note that progress was retained but emasculated of its theological base. Nietzsche castigated Christianity as a Jewish trick for revenge against the Romans and the whole world which treated them so shabbily.¹¹

The drama was waged far less spectacularly in this country, but it is undeniable that Church influences moved from a confident and assertive posture typical of the Jonathan Edwards tradition to an unsure and defensive status typified by the Reverend President of Yale, Noah Porter, whose own course in "First Principles" lost many of those bright students to the new secularism that Porter had set out to demolish. The powerful puritan bellowing of Edwards still found some echo. An extreme case is found in a young Vermont mystic, John Humphrey Noyes, who wrote

⁹See for example, J. K. Mehta, *Lectures on Modern Economic Theory* (Allahabad: Chaitanga Publishing House, 1959), especially Ch. XI wherein the Indian scholar talks of "character" as the prime ingredient in growth.

¹⁰*The Frontier In American History* (New York: Henry Holt, 1920).

¹¹See Gilbert Highet's fascinating summary on this point in *The Classical Tradition* (New York: Oxford University Press, 1957), pp. 453-462.

Henry Lloyd Garrison that the Holy Spirit had moved Noyes to "nominate Jesus Christ for the Presidency, not only of the United States but of the world."¹¹ Successive generations of ministers were to entertain far less sweeping ambitions. This decline in religion's importance to the individualistic ethic becomes even more pronounced when juxtaposed against the rising popularity of Social Darwinism.¹² With its emphasis on ruthless competition, struggle for survival, and belief that social improvement was sustained as a necessary consequence of these two operations, it was apparent that individualistic businessmen had a new ethic delicately attuned to justify the ruthlessness of the most extreme of the so-called robber barons.¹³

Now the foregoing has this one important lesson for business leaders: namely, that business was not totally responsible for the excesses it admittedly committed during the infancy of the industrial movement. This seems to embody an internal contradiction. Surely long hours of work in unsanitary conditions, surely assumption by owners of dictatorial powers over the lives of workers, and surely the single-minded dedication to profits regardless of social costs, conspire to make business the villain. Yet is not the real question not related to business practices and practitioners and more to an ethos that generally condoned and often approved? As Brooks Adams wryly remarked, the American male thought first of his dinner and next of his girl. Within this variant of the individualistic ethic business had not been less a force for change in values, as it had been an instinctive and effective adaptor to changes in values that had already been established.

These changes in the value constructs can be schematically related within the following diagram.

Pre	1890	Post
Calvinist work—production—success ethic		Leisure and consumption orientation
Strict interpretation of the Decalogue		Ethical relativism
Individualism—independence		Socialization—interdependence
Crusade for progress: optimistic future		Containment: uncertain or pessimistic future
Belief in nationalism		Regionalism—internationalism

After 1890 we moved to the period characterized in 1930 by John Dewey¹⁴ as "United States Incorporated" and by Kenneth Boulding some twenty years later as the era of the "Organizational Revolution."¹⁵ The story is almost a cliché by now. Owner-managers were replaced by non-owning professionals; small businesses were dwarfed by corporate giants;¹⁶ individualism yielded to a spirit of conformity; parochialism was replaced

¹¹Quoted by V. L. Parrington, *Main Currents in American Thought* (New York: Harcourt Brace, 1930), 11, p. 344.

¹²Richard Hofstadter, *Social Darwinism in American Thought* (Boston: Beacon Press, 1955), esp. pp. 20–23.

¹³*Ibid.*, Chapter Three on William Graham Sumner.

¹⁴John Dewey, *Individualism, Old and New* (New York: G. P. Putnam, 1930).

¹⁵Kenneth Boulding, *The Organizational Revolution* (New York: Harper and Brothers, 1953).

¹⁶See Ralph Nelson, *Merger Movements in American Industry, 1895–1956* (Princeton: Princeton University Press, 1959).

by an internationalism that left no room for isolation as a policy of national illusion. For business mores, the significant shift was to a management ideology¹⁷ with a recognizable affinity toward a new social ethic. The social ethic emphasized human interdependence and not man's independence; it stressed cooperation and participative teamwork and tended to subordinate the role of the business hero; it placed a premium on human solidarity and social harmony and eschewed the rigors of tough competition and open conflict. By and large, it reflected a concern with security and status with group responsibility and personal dignity that is suggestive of a new kind of feudalism.¹⁸

3. Some Primary Questions for American Business

If professional management is called upon to handle problems emerging from an urbanized, industrialized and internationalized world, and if management is committed more and more to practice a social ethic,¹⁹ what developments are in the offing which suggest further dramatic change in the main contours for decision-making and for organizational arrangements? A number of trends can be discerned but the following two have been selected for identification because they are felt to be among the most significant.

Two propositions are advanced to indicate the line of reasoning that will be pursued. (1) Decision-making is likely to become more rigorously analytical and rational in the future mainly because of widespread utilization of the computer, and (2) the corporation will become international or multinational in nature. Both have interesting applications.

The most eloquent spokesman for the first proposition is Herbert Simon who argues that the machine will influence business management importantly at three levels. At the lowest level of clerical and repetitive work, the machine will literally take over completely; at the mid-management level many of the functions now performed by human beings because of their experiences and intuitions—such as production scheduling and inventory controls—will be transferred to the machine. More startling is Simon's conclusion that many top-level management assignments which involve judgment and insight will increasingly pass to the computer—especially as the machines are improved to do heuristic programming

¹⁷Ideology is a difficult word to describe satisfactorily. Karl Mannheim uses the term to include an accepted body of beliefs and ethical codes, in *Ideology and Utopia* (London: Routledge and Kegan Paul, 1936), pp. 17-21; whereas Carl Friedrich and Zbigniew Brzezinski equate ideology with a "reasonably coherent body of ideas concerning the practical means of how to change and reform society . . ." *Totalitarian Dictatorship and Autocracy* (Cambridge: Harvard University Press, 1956), p. 74. It can be argued that in contemporary terms ideology is less concerned with ideas for reform and more concerned with pragmatic rationales developed by their protagonists to defend them. In the newer testaments speculation of the kind exemplified by Aristotle or Burke or by the writers of *The Federalist*—despite their concern for pragmatic change—is no longer the hallmark of an ideology. See, for example, J. J. Rouseck, *Contemporary Political Ideologies* (New York: Philosophical Library, 1960).

¹⁸R. A. Nisbet, *Quest For Community* (New York: Oxford University Press, 1953).

¹⁹Marshall Dimock has argued, for example, that the advocates of a "science of administration come nearer to making philosophical assumptions than they do to proving universal laws" and that instead of assumptions there is need "to think more clearly . . . about the ethical or moral content of our aims, our plans, our administrative methods." *A Philosophy of Administration* (New York: Harper and Brothers, 1959), p. 55.

(nonnumerical tasks, use of humanoid problem-solving techniques, and even ability to employ a learning process).²⁰

Allowing for a substantial margin of error it is still true that management functions are in for heavy seige. What, then, are to be the primary functions that will remain with management? It would seem likely that, above all other considerations, the future manager will be absorbed with problems of "human relationships." There can be no such relationships without value relationships. Unlike the machine or the ledger or the computer, the human being carries within him a complex of drives and ambitions which he regulates and utilizes in a certain framework of values established by his own will and by society. Insights from the social scientists,²¹ and from the philosophers,²² and theologians will become increasingly necessary in the conceptual apparatus of the manager. Now these have never been the particular forte of business leadership. The executive must now speak and act from a new and higher level of discourse and frame of reference.

If human relationships will generate the primary problems for the future business executive, the question of the "environment" in which these problems will be spawned and, hopefully, settled becomes relevant. It has been pointed out that parochialism yielded to internationalism for the American society. It is now apparent that the corporation is undergoing the same metamorphosis that the nation has already passed through. Increasingly large American corporations have their homes in the United States, yet have subsidiaries which operate and live under the laws and customs of other countries as well. David Lilienthal calls these organizations the "multinational corporations";²³ Wolfgang Friedmann speaks of "joint ventures";²⁴ Emile Benoit simply calls them "international corporations."²⁵

More important than nomenclature is the substance. What does this extra-national movement mean to management? An easy catalog is hard to come by. Clearly knowledge of foreign cultures and foreign tongues becomes more important. The graduate of the *Ecole Polytechnique* will increasingly compete with the graduate of top American universities for key positions in major corporations. There will likely be an outflow of accountants and tax experts to underdeveloped parts of the world. Stock ownership may become universal and new forms of competition may challenge our anti-trust laws. The use of national currencies like the dollar as international reserves will possibly become an anachronism, and in foreign investments, American managements may be forced to deal more with the International Monetary Fund or U.N. banking instrumentalities and less

²⁰See Simon's fascinating essay, "The Corporation: Will It Be Managed by Machines?" in Melvin Anschen and G. L. Bach, eds., *Management and Corporations 1985* (New York: McGraw-Hill Book Company, 1960), pp. 17-55.

²¹George B. Strother, ed., *Social Science Approaches to Business Behavior* (Homewood, Ill., The Dorsey Press and Richard D. Irwin, Inc., 1962).

²²An effort worth noting is that of C. West Churchman, *Prediction and Optimal Decision of a Science of Values* (Englewood Cliffs, N. J., Prentice-Hall, Inc., 1961). See especially chapter 9 on "additivity of values."

²³Lilienthal in Anschen and Bach, *op cit.*, pp. 119-158.

²⁴Wolfgang Friedmann and George Kalmanoff, eds., *Joint International Business Ventures* (New York: Columbia University Press, 1961).

²⁵Emile Benoit, *Europe at Sixes and Sevens* (New York: Columbia University Press, 1961), esp. Ch. 5.

with their own.²⁶ To place the problem of adjusting human relationships in a world-wide setting and a global environment is to suggest some measure of the challenges for management in the immediate years ahead.

There are those, like Robert Heilbroner, who argue brilliantly that the American business leadership is destined for a more subordinate role than ever before.²⁷ Yet, like Edward Carr, the British historian, we tend toward his persuasion—if not to his conclusions—that “progress in human affairs, whether in science or in history or in society, has come mainly through the bold readiness of human beings not to confine themselves to seeking piecemeal improvements in the way things are done, but to present fundamental challenges in the name of reason to the current way of doing things and to the avowed or hidden assumptions on which it rests.”²⁸

How can some of these fundamental challenges be viewed? Perhaps the most effective way comes from statements which—combining fact and assumption—lead to a sharp question.

1. **Fact:** Engineering skills are obsolescent within a decade.
Assumption: Management skills are likely to follow the same general pattern and corporation will move to provide for reeducating managers.
Query: Should corporations also undertake a primary responsibility toward reeducating workers whose manual skills are outstripped by technology?
2. **Fact:** Corporate centralization in headquarters remote from satellite offices and branch factories is the prevailing way of conducting manufacturing operations.
Assumption: The pattern will become increasingly marked in the future where manufacturing units abroad may even compete with an already established American unit.
Query: What is the obligation of absentee landlordism to local communities under these new conditions?
3. **Fact:** Stock options and incentive plans are fairly common for top and middle management.
Assumption: The worker is an equally essential partner with management on the productivity team.
Query: Should workers share automatically (through profit sharing plans) in any increase in annual profits?
4. **Fact:** The Department of Labor is slowly changing its role from mediator to champion of the “national interests” in labor-management disputes which threaten the economy.

²⁶Robert Triffin, *Gold and the Dollar Crisis* (New Haven: Yale University Press, 1961), pp. 10–14, and Chs. 6 and 7.

²⁷*The Future as History* (New York: Grove Press, 1960), Ch. IV.

²⁸Edward Hallet Carr, *What is History* (New York: Alfred Knopf, 1961), p. 207.

Assumption: Organized labor, which is resisting this tendency, will move to enlist the support of organized industry in a resistance movement.

Query: What should be the position of corporate leadership on this matter?

5. **Fact:** History has demonstrated that when an enterprise becomes both profitable and powerful the community makes demands on it (as did the Italian communities against the medieval Casas) for support of schools, hospitals and the like.

Assumption: The pattern in America will follow this historic route.

Query: What is the corporation's primary relationship to philanthropy?

4. *Implications for Education in Business*

The new styles in business obviously carry implications for the kinds of appropriate educational preparation required by that vocation. Unlike so many past developments, however, the current efforts to revitalize the curricula have a forward look.²⁹ There are stirrings on many campuses and in many executive programs which reflect a desire to achieve constructive reformulations.

Looking at the problem in terms of curriculum, student-preparation, and teacher recruitment, the following observations can be hazarded. Curricula everywhere are under intensive scrutiny, but there is no clear consensus on how to provide an educational experience which seeks to explain American business and society in terms of analytical, historical, and comparative data. In some cases there is a growing re-emphasis on business history and an assertion by scholars like Professor A. K. Steigerwalt of Michigan that this discipline must assume a central—as opposed to a peripheral—role in the curriculum if society-business relationships are to be rigorously analyzed.

As Harvard the well-known BRAS course, "Business Responsibilities in the American Society," is undergoing intensive analysis and refinement. In still other cases, business law courses have either gone on the defensive or else are being readjusted substantially to include the larger legal-social environment in which business institutions have originated and developed. At Northwestern University interesting experiments have been done with the course called, "Competition of Ideas," which utilizes almost exclusively a case-method approach to the problem of competing values within the business system.

At Columbia a somewhat revolutionary tack has been taken with the new course called, "Conceptual Foundations of Business." Combining readings from a wide range of sources in history, philosophy, and the social sciences, it seeks to focus on current developments with a "rear-view"

²⁹Saarsalmi, Meeri Marjatta: *Some Aspects of the Thought Underlying Higher Education for Business in the United States* (Bloomington: Bureau of Business Research, Indiana University, 1955).

mirror on the *relevant* past, and to compare these with developments in other countries.³⁰

In terms of student preparation, there is a real question on the part of the graduate schools, particularly, whether to insist on undergraduate preparation in the humanities as a prerequisite for admission to those professional courses which seek to probe into the problems of the economic system in a larger society. Even as there is growing insistence on intensive undergraduate preparation in mathematics, there are beginning efforts to require equally rigorous preparation in the humanities. The need for effective working partnerships with college liberal arts divisions is obvious, but an unfortunate legacy of mutual suspicion makes such arrangement difficult. There is the further question whether to recruit, for example, philosophers who show an interest in business problems or utilize professors of business who show an interest in philosophical problems.

The range for diversity of approach and for imaginative experimentation is enormous, and this opportunity will properly provide grist for exciting and animated discussion at many professional meetings over the next five years.

³⁰Robert J. Senkier, *Revising a Business Curriculum—The Columbia Experience* (New York: Graduate School of Business, Columbia University, 1961).

The Information Explosion*

DALE E. ZAND
New York University
(Panel Report)

The amount and variety of data available to management has increased in the last decade with shocking speed. Historically, this would be considered a cause for joy. Now that the avalanche of data is upon us, with no prospect of abatement, we are not so sure. At the very least, there is need to question the widespread assumption that the more data management has the better off it will be.

Information Differs from Data

Not all data carries information. Information is the content of a message that reduces uncertainty when we have to make a decision. Data may contribute nothing to the reduction of uncertainty; data may be irrelevant to the decision at hand; data may be redundant—simply repeating, in different form, what is already known. Our problem is not too much information, it is too little information. It is ironic that in the midst of a data explosion we encounter an information crisis.

Forces in the Data Explosion

Computers and management science have been major forces feeding the data explosion. Computers, with their ability to process data rapidly, have made readily available data that was once considered inaccessible, and management science has demanded as well as produced new data—data not found in conventional accounting and reporting systems.

Needed: A Closer Look

In recent years two problems have received increasing attention. One is the problem of converting a manual data system to an electronic data system; the other is the problem of storing masses of data and yet being able to retrieve quickly and economically any single bit of data.

Both these problems are certainly real, but they are symptomatic of a more basic problem: Management's reluctance and inability to define precisely its own information needs.

By insisting that electronic data processing systems conform to pre-existing information systems and then heaping on masses of new data which an integrated electronic system makes available, management has entangled itself in a growing web of pseudo-information, much of which has dubious value for making decisions.

There is a need to simplify: to orient the collection of data along new patterns of meaning, and to challenge the rule of thumb that data should be collected, processed and stored because it is available now and might be needed later. Data collected this way rarely contributes useful information to future decisions.

Simplification of an information system must be a joint undertaking, a venture in which the manager and the information specialist combine forces. The manager knows his information needs intuitively. The informa-

*Summary of a panel session at the 1961 Annual Meeting of the Academy of Management. Members of the panel: John F. Burlingame, Charles E. Silberman, and Dale E. Zand, Chairman.

tion specialist can help make these needs explicit and can suggest new frameworks for analyzing problems. The goals and uses of information, however, must be guided by the manager. Rivalry between the manager and the information specialist cannot help but diminish the effectiveness of the resulting information system.

The Manager's Job

Contrary to prevailing belief, access to masses of data has not made the manager's job easier. If anything, the rapid availability of data to answer the manager's questions has highlighted the intrinsic difficulty of his job. He is on the spot now. If he asks the wrong questions, his faulty analysis will lead him down endless byways of data. The abundance of data has made it increasingly difficult to camouflage slipshod thinking.

The manager's job is to ask crucial questions. The data explosion is making this painfully clear. The information value of data depends on the questions the manager asks. Frequently, the existing data system can't answer these questions, but this doesn't make the questions any less crucial.

Fortune magazine in a recent issue reports the current financial crisis of a major aircraft manufacturer which decided to develop long-range commercial jets but failed to ask crucial questions about the likely strategies and actions of its major competitors. These were questions difficult to answer but none the less crucial.

Less Emphasis on Conformity

The data explosion has put a premium on the manager who knows how to use a high-powered information system, who is not overwhelmed by it, and who does not flee by ignoring it. Managers who are socially compatible but who do not ask the right questions are stirring disenchantment with organizational conformity. Competent information users are hard to come by. The requirement that they look and act like the company image of a manager is being relaxed, and we can expect reduced emphasis on conformity.

Social Stress

The data explosion has put people under great stress. It has triggered changes in organization structure, in role relations, and in patterns of decision making. It is poignantly evident that we have much to learn about the process of social change and the human responses to organizational upheaval.

The crucial questions about social changes caused by the data explosion have yet to be asked. Indeed: How does an organization accustomed to processing small quantities of information gear itself to question large quantities of data? Answers to this and questions like it are not to be expected from the data presently being fed to computers. Here is an information crisis.

Decisions and Challenges

Information is not a substitute for decisions. In the final analysis the manager must make decisions. The leap of imagination, the shrewd guess, the penetrating insight are still needed. These are not substitutes for information, but essential guides for collecting and using information.

The challenges to the manager's creativity have not changed. They stand out clearer than ever. There is still the need to define goals, to

conceive strategies, and to provide conditions conducive to responsible, rewarding human performance. Without doubt information can help the manager meet these needs better; but first he must see it in perspective. It cannot decide for him, it cannot think for him, and it cannot pose questions that he does not ask. Information is nonetheless vital, but its usefulness depends entirely on the manager.

Intangible Factors in Management and Their Measurement*

S. K. WOLF
New York University
(Panel Report)

Mr. Gibson addressed himself to intangibles in management organization. He referred to the organization as a bridge between its objectives and the aspirations and capabilities of its people, and he discussed the relationship of line and staff specialists.

In summary, he stated that the modern organization is an interdependent grouping. One of its main purposes is to provide opportunities for development of its members and attainment of their aspirations.

The organization must be structured so that line and staff work harmoniously toward common objectives. Quoting McGregor, he said that it is possible that one day we shall begin to draw organization charts as a series of linked groups rather than a hierarchical structure of individual reporting relationships.

Mr. Newman making use of many well illustrated charts discussed "Critical Path Management" with a specific illustration of the Navy's application of the idea under the code name of PERT (Program Evaluation and Review Technique).

He described the technique of "Critical Path Management" as an outgrowth of the Gantt chart and earlier control techniques, with the addition of statistical and operations research methods.

Mr. Newman stated that PERT had been invaluable in controlling the development and production of the Polaris missile weapon system and had reduced the time required from conception to operation by more than two years.

Professor Wolf discussed statistical methods for measuring manpower requirements for the production control function.

The approach was to relate the production control function to a series of variables so that the important ones could be identified and the regression coefficient determined.

The eight variables chosen were manpower required as a per cent of job shop, per cent of capacity utilization, speed of delivery, days of inventory, per cent of parts per year, customer order changes per year, number of purchased and manufactured parts, and number of engineering change items per year.

The results clearly indicated that the last three, since they involve change, were the overwhelming reasons for most of the manpower requirements.

Other functions such as quality control, production engineering, plant engineering, etc., are planned.

This work is being done by industry under the auspices of the American Management Association, known as Group Ten, through a committee headed by Mr. S. H. Wareham of IBM.

*Summary of a panel session at the 1961 Annual Meeting of the Academy of Management. Members of the panel: Glenn B. Gibson, James A. Newman, and S. K. Wolf, Chairman.

*Forces Shaping the Future of Management**

HAROLD F. SMIDDY
(Panel Report)

The Chairman noted that the panel topic did not visualize managing as mere adaptation to impinging "forces" but contemplated managers themselves—and others such as customers, competitors, employees, vendors, distributors, educators, government representatives, information technologists and even communists and pseudocommunists—as being forces whose human judgments and actions help shape management's future.

Prof. Grunwald dealt with "forces" external to the enterprise being managed, particularly at the international level. The job of the United States manager abroad basically is to work himself out of a job by developing local leadership beyond present limited availability of such trained human resources; yet not fall into traps of local paternalistic or excessively authoritarian practices—while sensing and using real local cultural environment and strengths. The U. S. manager abroad also—and whether he realizes it or not—is an "ambassador" identified with and judged as if he were speaking for his country's known policies. He has in fact a corresponding responsibility to be aware of and consider world issues in making his own decisions and taking his own actions. He needs to cooperate with manager talent abroad, in both private and governmental organizations, perceptively and intelligently.

Prof. Marquis, in contrast, concentrated mainly on "forces" internal to the specific organization being managed, while still recognizing that they are shaped importantly by influences from owners, customers, competitors, suppliers and distributors, unions and government men operating in the environment of the business.

Though many look at the "firm" as an economic entity to create customers, produce, and distribute with entrepreneurial motivation, which consequently has "goals" for which "task-force-type" approaches seem normal, Prof. Marquis emphasized that a business is not just a task force. It is also in fact "an institution" in the sociological sense of being an *organization of people*. Individual people, in turn, work together for their own desires as well as for helping achieve the economic goals of the firm.

As such an institution, the business takes on characteristics—e.g., as a component of the social economy, as a fraternal body, as an educational entity, as a "political" organization of some permanence whose members want participation in the power which governs them—which may or may not be in close harmony with its strictly "economic goals," or even market goals.

Hence, forces inside the enterprise also help shape its managerial requirements in ways calling for recognition and adaptation by the managers. The direct "task-force" work can be relatively rationally planned to use resources and exercise responsibilities efficiently, even as if a "closed system" to a high degree. The "institutional" aspect has to be less planned,

*Summary of a panel session at the 1961 Annual Meeting of the Academy of Management. Members of the panel: Joseph Grunwald, Don Marquis, and Harold F. Smiddy, Chairman.

more spontaneous, with essentially biological interdependence of its parts for growth, and as an "open system."

Consequently the natural growing system is a representation of the human beings who comprise it. They exercise pressures on the organization at the same time that they accomplish its economic tasks. They want such goals as security of tenure, fairness, a feeling of personal accomplishment from work, a chance for self-development and growth, and specific participation and voice in the political system which is the government of the firm that affects them so personally.

The manager's job here is not merely to capitulate to such forces, nor just to overpower them. Somehow the executive has to innovate, as well as adapt, to meet both these internal as well as impinging external forces; and to integrate versus only compromise to make successful progress as he does so. This requires dealing frankly and directly with the employees—even, to use what may wrongly be exaggerated into a bad word, to "manipulate" them in the sense of getting them to change some attitudes when essential as a part of his managerial responsibility so to arrange the social situation, incentives, and applicable rewards as to get needed changes and voluntary participation in the goals and work of the organization.

The Chairman suggested that many of the "forces" shaping the future of management—as touched on in the panel presentations and discussion—might be included under the following five headings:

- 1) *Divided Loyalties of Employees at Work*—employee attitudes toward company work tending to give basic loyalty, say, to profession vs. enterprise, or to union vs. enterprise. Often the worker looks at his job as mainly a source of income, increasingly governmentally protected, rather than as his main outlet for personal creativity and competence, ethically applied.
- 2) *Increasing Intertwining of Economics and Politics*—hence of government and business; and at international as well as national, state and local levels; with new proportions in the distribution of the business revenue stream—and especially with shares for taxes (public services), for employees, and for off-payroll work (contractor effort) and services increasing in relation to classic shares for materials purchased and for profit to owners. All these trends exist with simultaneous customer (and voter) pressure to fix and stabilize prices at lowest possible levels; thus completing the squeeze on profits by holding down incoming dollar revenue per unit sold at the same time that outgo is being redistributed as just indicated.
- 3) *Greater Complexity of Organization Structure and Relationships*—growing size, complexity and public visibility of business enterprises (and, incidentally, of educational, union and other non-business institutions, as well) with consequent new managerial requirements for creating both structures and relationships in the organizing of work so that participating individuals can function in a climate and environment of understanding of common interests and purposes, on the one hand, and of awareness of relationships among personal contributions, business growth and results, and individual reward and return, on the other hand.

- 4) *Entirely New Kinds of Man-machine Relationships*—as technology and automation pervade the realms of *information and mental skills*, rather than only of manual work and skills as in earlier industrial organizations—but with equally new potentials for machine aid to find and use patterns of simplicity amid developing interdependence and complexity; so that larger and more intricately interrelated organizations and more specialized and complex personal work may still be kept *manageable* with normally available personnel.
 - 5) *Requirement for Creative Competence to Manage Professionally*—that is, for widening and deepening competence, creativity, ability and ethical dedication of managers (at all echelons of the organization)—viewing their own work as itself of unique *professional* nature and scope—themselves to plan, organize, integrate and measure to achieve anticipated progress toward short- and long-range *chosen* objectives; and to do *this* through the work of other contributors who are likewise acting and serving common purposes with initiative, creativity, competence, self-development, self-measurement and self-satisfaction. The pay-off on management education, which thus takes on characteristics of “*Lifetime Learning for Leadership*” and which will enhance individual freedom as growth of technology, politics, and high organization continues, needs to be in terms of such creative concepts and purposeful goals.
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The Academy of Management

Reports of Officers for 1961

MINUTES OF THE ANNUAL MEETING, 1961

The 1961 business meeting of the Academy of Management was called to order at 8:45 a.m. on December 28, 1961, by President George R. Terry, in Nichols Hall, Graduate School of Business Administration, New York University. The minutes of the 1960 meetings were approved as published in the 1959 *Proceedings*.

It was moved, seconded, and carried that the 1962 *Proceedings* of the Academy be transferred to the direction of the editor of the *Journal* of the Academy, Professor Dalton E. McFarland; and, if financially possible, made the fourth number of the *Journal* each year. The secretary-treasurer also gave the financial report which showed that the balance of funds in the Academy's account was approximately the same as last year.

Professor Max Richards gave the report of the membership committee. The report of the public relations committee was read by the secretary-treasurer in the absence of its chairman, John Burns.

The program committee's report was presented by Mr. Harold Smiddy. He moved, and it was seconded and carried unanimously that a vote of thanks be given to the proper officials at New York University who developed the annual program.

Professor Preston LeBreton gave the report of the research and publications committee, and Professor R. W. Morell gave the financial committee's report.

Dean Clark Myers then presented the proposal of the nominations and election committee for officers for 1962. The following officers were selected: President, Harold F. Smiddy; Vice-President, Harold Koontz; and Secretary-Treasurer, Keith Davis. Members elected to Board of Governors for two-year terms were Franklin E. Folts and Paul Grambsch. The editor of the *Journal*, Dalton E. McFarland, then gave his report.

The report of the awards committee was made by President George Terry in the absence of the chairman, Professor Ronald Shuman. The report of the constitutional changes committee was made by Professor Ralph Davis, and Professor John Mee gave his report as representative to the council on professional education. Professor George Terry then gave his report as president.

The meeting was then opened for new business. Professor Joseph W. Towle reported on the agreement with Houghton-Mifflin Company for publication of *Readings from the Academy of Management*. All details are now completed, and the book should be off the press in May, 1962. Professor Harold Smiddy offered literature relating to the international management meeting in New York City in the fall of 1963, September 16-20. Members were urged to try to hold this date on their calendars and to arrange to attend this meeting.

Mr. Harold Smiddy presented the proposal for McKinsey Book Awards, and the proposal was accepted by the Academy. It was also moved to write a letter of thanks to Associate Dean Eugene J. Kelly of New York

University, who helped arrange for these awards and to the McKinsey Foundation, which provided the funds for administering the awards program. The prime objectives of the McKinsey Book Awards will be to recognize books which contribute significant insights, ideas, information, or concepts to operating managers with major policy responsibilities. Books for the awards, which will not be cash prizes, will be chosen by a Board of Judges. (For details of the awards, see the "Report of the Vice-President: Special Report on the McKinsey Book Awards," in these *Proceedings*.)

It was moved, seconded, and carried that a vote of thanks be given to Harold Smiddy for arranging the fine program of the Academy this year.

Professor R. C. Davis of the constitutional committee made further remarks urging members to write him their suggestions.

Professor Dalton McFarland proposed a rousing vote of thanks to President George Terry for his fine leadership during the year.

Professor Rollin Simonds, chairman of the midwest management faculty committee, was then recognized. He moved, and it was seconded and carried that the Academy of Management accept the Midwest Management Faculty Conference as the Midwest Division of the Academy under the same terms as already exist for the Western Division of the Academy.

Reports of special committee chairmen followed. Professor Doyle Bishop read the report of the committee on regional chapters in the absence of Bill Voris, chairman of the committee. It was moved and seconded that the Academy adopt the report of the committee on regional chapters, except for the membership requirement statements in that report.

Professor Kenneth Myers gave the report of the committee on management education—curriculum in the absence of Professor John Mee. It was moved, seconded, and carried to make this committee a standing committee. Professor Thomas Luck gave the report of the committee on management education—teacher standards.

Professor Franklin Moore gave the report of the committee on academic placement. It was moved, seconded, and carried to make this committee a standing committee. Professor Bishop suggested that placement data be printed in the *Journal*, but the editor of the *Journal* stated that he felt that the *Journal* space should be retained for articles and other necessary material. The placement committee was commended by the Academy for the fine job which it did this year.

Professor William Fox gave the report of the acquisitions committee. It was moved by Professor Spriegel, seconded, and carried that the research and publications committee be separated into a research committee and a publications committee. The research committee would include the functions of the current acquisitions committee which would accordingly be abolished.

A motion to adjourn passed unanimously. Adjournment occurred at 11:00 a.m.

Keith Davis, Secretary-Treasurer

REPORT OF THE PRESIDENT

During this past year we have enjoyed further progress in the affairs of our Academy, and highly significant plans for its future advancement have been initiated. For me, it has been a distinct privilege and a pleasure to serve as your president. Our membership consists of distinguished management educators and practitioners, and to lead such a group in the quest for worthwhile goals is indeed gratifying and challenging.

Our success in the advancement of management is the direct result of the joint efforts and close co-operation of our members devoted to a common cause. My special thanks are extended to the officers, the committee chairmen, committee members, and Board of Governors who during the present year have willingly contributed so much of their time and talent for the benefit of the Academy.

We can point with pride to our accomplishments during the past twelve months. A quick review of these is in order, for it will serve to reinforce our morale, suggest future worthwhile endeavors, and stimulate our efforts of tomorrow toward a continued sound and substantial growth. In the following paragraphs, names of the members have been omitted because the list is too long for inclusion here and the contributions were offered "for the cause" and in the spirit of Academy advancement.

Accomplishment No. 1—Continued Upgrading of our *Journal*.

Lest we begin to take our maturing *Journal* for granted and consider it a normal operation, may I ask you to share the observation of the forward strides taken by our *Journal* during the present year. New features, excellence of articles, greater circulation, and original contributions to our field of study characterize its climb to new heights of accomplishment. The *Journal* is the net result of much work by many members and it represents a zenith of Academy accomplishments.

Accomplishment No. 2—Regionalization

During the year 1961, the move toward regionalization was resolved and the program for handling affiliated geographical regional divisions of the Academy was developed and ratified. This will enable the Academy to serve better its members and open new doors of opportunity for promoting our basic goals. There remains, however, the important question of modifying our membership requirements so that full benefits from regional divisions will be secured, as will be commented on later in this report.

Accomplishment No. 3—New Standing Committees

Several new committees were inaugurated to pursue areas of activities believed proper for the Academy. Three of these committees were given regular and permanent status by action taken during the business meeting, December, 1961, while others were consolidated or action was deferred as to their final disposition. The Committee of Management Education—Curriculum, one of the new standing committees, deals with questions regarding the major fields of management suitable for university courses, methods of instruction, and titles and contents of management courses. Certainly this is an activity in which our Academy should achieve leadership. As I envision it, the work of this committee is continuous and is destined to become one of the most helpful and influential of our contributions.

This year it was demonstrated conclusively that our Academy can provide a dignified and a thorough academic placement service. The permanency voted to the Academic Placement Committee is in keeping with recognition of this needed service. Lastly, the separating of the Research and Publications Committee into (1) the Research Committee, and (2) the Publications Committee, strengthens and streamlines the Academy organization. To the former, or Research Committee, is added the work of the temporary Acquisitions Committee, started this year. Securing funds for research can logically be included in a research committee's work.

Accomplishment No. 4—Academy's Book of Readings from *Journal*

The project of preparing and having published a bound book of articles selected from our *Journal* was culminated during the year. The impressive title selected is *Current Issues and Emerging Concepts: Readings from the Academy of Management*. Book availability is scheduled for May, 1962.

Accomplishment No. 5—McKinsey Book Awards

Sponsored by the McKinsey Foundation for Management Research, Inc., the Academy was appointed to establish a three-year program of recognition for book publications of basic and enduring value to general management executives. The \$8,500 grant supplies a project admirably in keeping with the Academy's ability and interests. It will fill a genuine need and accomplish the dual objective of recognition of excellence and top management's awareness of developments in the literature of this field.

Accomplishment No. 6—Academy Membership in CIPM

In accordance with action taken at the annual business meeting December, 1960, application for the Academy's membership in the Council for International Progress in Management (CIPM) was made and accepted. Our membership with this distinguished group broadens our interests to international areas and is especially significant in view of the big Management Congress in New York City in September, 1963.

Accomplishment No. 7—Initiation of the President's Letter

To improve general communication between the Academy's administration and members, the first "President's Letter" was sent out during October, 1961. Such a medium helps bridge the communication gap within the Academy. Confining communication of Academy business to one meeting a year places serious limitations upon our group. It is hoped that a letter of this sort issued twice a year, perhaps in the spring and in the fall, will be established as a standard procedure. It can help to keep all members informed and assist in achieving unity and enthusiastic efforts by our members.

The Future

As we face the future there are, in my opinion, certain needs about which adequate administrative *planning and action* must be taken. In this category the following are listed for ease of reading along with brief personal comments.

1. *Participation by more members in Academy affairs must be achieved.* Of our total current membership of 450, some 15 per cent, or 65 are what might be termed "active." Greater member participation is needed. To this end, several measures are recommended including:

a. Divide the present Secretary-Treasurer office into two offices (1) the Secretary, and (2) the Treasurer. Each might hold office for two years. The secretary would be moved up the line of office succession on odd numbered years and the treasurer moved up on even numbered years.

b. Adopt policies providing for (1) no chairman of a committee serves as chairman for more than three consecutive years, (2) each year, one-third of the membership of each committee shall consist of new members of that committee, (3) no member shall serve concurrently on more than two Academy committees, and (4) new members of the Academy shall automatically be placed on the membership of a committee.

2. *Establish an Advisory Council consisting of the officers and chairmen of committees to formulate the long-range objectives and plans of the Academy.* Such a group would meet annually and shape the destinies of the Academy and supply a framework and core of continuity in the Academy's efforts and direction.

3. *Modify membership requirements to meet modern needs.* In this connection we need to make the changes necessary to attract competent young management men to the Academy and to facilitate a close bond between the Academy and its regional affiliates. Under present specifications, we have no provision for capable candidates until they have attained assistant professorship rank or its equivalent. Also, with regional divisions now a reality, it is possible for a person to belong to a regional affiliate of the Academy, but not be a member of the Academy. These inconsistencies, which are difficult to defend, can be minimized by the Academy establishing two types of membership: regular and associate. The former would apply to assistant professors and above, the latter to those with less rank but with a minimum of twelve management graduate semester hours. All would receive the *Journal* (thereby increasing its circulation), could attend conferences, but only regular members would have a vote, could serve as an officer, or on a committee.

4. *Seek aggressively for funds to conduct management research sponsored by the Academy.* As an Academy we should be deeply immersed in research. While we have enjoyed excellent relationships with several other associations in the area of management research and we should do everything to continue these bonds, it appears worthy of attainment for the Academy to establish research projects conducted within itself by its selective membership. We could, for example, concentrate our efforts on one large research project each year, publish the results in our *Journal*, and gain good publicity and recognition in these efforts. Funds for underwriting such research projects can be obtained if we have patience, are persistent, and properly manage our work in this endeavor especially through careful planning and skillful motivating.

Conclusion

We can make the Academy whatever we want to make it. Our future is limited only by our imagination, our dedication, and our enthusiasm for applying management-in-action to Academy objectives. We can make our Academy the citadel of management, not only in the United States, but in the entire world. Our future is far bigger than any of us fully realize. We will always underrate it. We must move forward, now, in confidence and with the full understanding that progress is a journey, never a destination.

The forthcoming year holds many opportunities for the Academy of Management. Using our vision to perceive, our responsiveness to effective leadership, and our energy to act, we can capitalize on these opportunities with vigor and imagination, thus developing a bigger, better, and more influential Academy.

George R. Terry, President

REPORT OF THE VICE-PRESIDENT

Special Report on the McKinsey Book Awards

It was the privilege of the officers of the Academy to arrange for the McKinsey Book Awards during 1961. Elements of the program include the following:

1. The Academy of Management will appoint a Board of Judges to select the outstanding books of interest to managers published in the periods 1961-62, 1962-63, 1963-64. The Board of Judges will also select the outstanding books of interest to managers published in the 1945-61 period. The Board will consist of members and non-members of the Academy. The Judges will be supported by Advisory Committees which would solicit the opinions of Academy members and others in the appraisal of books believed to be of enduring value to major executives.

2. The prime objectives of the McKinsey Book Awards will be to recognize books which contribute significant insights, ideas, information or concepts to operating managers with major policy responsibilities. The Judges will be particularly alert to publications attempting syntheses or discovering significant patterns of management thought and action. Publications which are a contribution to deeper basic understanding of management, rather than survey research of current practices, will be the type recognized. With this emphasis, the books selected should be of value to all thoughtful executives occupying positions of major responsibility. The Book Awards Program will also serve the important function of giving recognition to excellence of achievement in the management literature field. The awards should encourage and stimulate talented people to contribute to the literature of management.

3. The Academy will publicize the results of the awards. The nature and the amount of the publicity given the awards program will be most important in determining the ultimate effectiveness of the program. For this reason the Academy will probably appoint one man to supervise the program over the life of the three-year grant. This individual may be located in New York City to facilitate communications with the press and public relations media concerned with this program. It is quite likely that the Academy will decide to reimburse this individual for certain of his services in connection with the book awards program.

The publicity will take several forms. A publicity peak will occur when the authors of the most significant books published in each year are recognized with a luncheon, certificates and/or plaques. The book publishing industry will further publicize the results of the awards program. Cash prizes will not be awarded. Other devices for publicizing this awards program will be used. These will include articles placed in magazines such as the *Harvard Business Review*. News releases will be widely distributed to specialize trade publications, the business press, and the general press.

It is possible that enough bibliographic information will be accumulated during the three-year period to warrant the publication of a consolidated bibliography. The bibliography idea is not a part of this proposal; it is something that could develop as a logical outcome of the awards program. Such a bibliography should also receive the widest possible distribution. It could be utilized by businessmen, professors, and librarians, and should be useful in executive development programs and in individual programs of personal development.

Need

The awards program will fill a genuine need. It should become an ongoing program which will result in achieving the dual objectives: greater management awareness of developments in the literature of this field and recognition of excellence. The McKinsey Foundation, however, will not be committed in any way to support the program beyond the three-year support requested.

The McKinsey Foundation has already established a recognition program for outstanding contributions to the periodical literature of management. The Ford Foundation has a similar program for doctoral dissertations in business administration. A program does not now exist which provides continuing recognition for outstanding book publications in the management field. The Board of Judges will be guided by the experience of the established McKinsey Foundation and Ford Foundation programs in their attempts to recognize excellence of thought and imagination as distinct from mere presentation.

One of the functions of this program will be to take the contributions of management scholars and practitioners who are thinking ahead of the field and communicate their ideas to operating managers. Because a limited number of books, perhaps five a year, will be recognized, executives desiring to do something about their reading habits will be able to channel their efforts.

Audience

The primary audience of the awards bibliography will be top level managers or administrators. These will not be exclusively in business. In fact, the Board of Judges will search out books which are of general interest to the major administrators in all fields. The Board of Judges would survey international contributions to the literature of management. Books of permanent, enduring value to managers, from whatever the source, would be featured in an effort to partially bridge the gap between the research and writing of the authors and needs of business practitioners.

The theme of general books of interest to the general executive might serve as a first year award theme. In the second year of the awards program, books of primary interest to the chief executives in the various functional areas could be recognized. In every case, the books recognized would be of interest to the top functional executive.

The awards should ultimately achieve a position of eminence in its field comparable to the Pulitzer Prize in its area. The program should attract the interest and support of all perceptive, serious-minded, professionally-minded executives who are convinced of the necessity of continuing professional education in a period of change.

Harold F. Smiddy, Vice-President

REPORT OF THE SECRETARY-TREASURER

Comparative Financial Statement
Years Ending November 30, 1960 and 1961

RECEIPTS AND DISBURSEMENTS

		1960		1961
BALANCE		\$1,019.78		\$2,544.21
RECEIPTS				
1956 Dues Collected	\$ 5.00			
1957 Dues Collected	10.00			
1958 Dues Collected	105.00		\$ 5.00	
1959 Dues Collected	515.00		5.00	
1960 Dues Collected	2,251.00		44.00	
1961 Dues Collected	29.00		2,617.00	
1962 Dues Collected			38.00	
Interest	33.64		24.25	
Annual Meeting	112.00		356.65	
AMA Research Advance	500.00	3,560.64	500.00	3,589.90
TOTAL FUNDS AVAILABLE		\$4,580.42		\$6,134.11
DISBURSEMENTS				
Annual Meeting	\$ 10.92		\$ 216.40	
Postage	149.21		126.73	
Printing and Stationery	133.73		119.71	
Clerical Expense	148.01		75.64	
Proceedings	314.25		633.28	
<i>Journal of the Academy</i>	1,000.00		1,730.19	
Research Expense	160.04		509.87	
Western Chapter Allotment	100.00			
Membership in CIPM			250.00	
Miscellaneous Expense	20.05	2,036.21	27.89	3,690.58
BALANCE		\$2,544.21		\$2,452.92

BALANCE SHEET

CASH

Checking	\$2,049.42		\$1,460.03	
Savings	617.25		641.50	
Petty Cash			9.40	
ASU Account			274.47	
Deposit for 1961 Meeting		\$2,666.67	300.00	\$2,685.40

RECEIVABLE

1958 Dues	\$ 5.00			
1959 Dues	50.00		12.00	
1960 Dues	193.00		30.00	
1961 Dues		248.00	210.00	252.00
Total		\$2,914.67		\$2,937.40

Keith Davis, Secretary-Treasurer

REPORT OF THE EDITOR, JOURNAL OF THE ACADEMY OF MANAGEMENT

1. The *Journal* now has 820 subscribers, in addition to approximately 450 member subscriptions, for a total of 1,270.

2. The balance in the *Journal* checking account is \$1813.30. Against this balance is a liability of approximately \$1600.00 for printing the December 1961 issue. We also have a small number of three-year subscriptions representing accrued liabilities.

3. As instructed at the 1960 annual meeting, the Editor made an effort to change the accounting from a cash to an accrual basis. A C.P.A. examined the books and records, and concluded that an accrual system would not be practicable at this time. However, if substantial growth occurs, the accrual system might later become desirable. The C.P.A. stated that the inventory of back issues, now numbering about 4,000 copies, should not be valued as part of the assets, since this inventory cannot be converted to cash except by selling single copies to possible customers.

4. The financial condition of the *Journal* appears to be sound. Subscriptions continue to be renewed at a high rate. However, the *Journal* may have reached a temporary plateau on circulation increases. An advertising campaign was conducted in the fall with only moderate success. A vigorous advertising campaign is planned for late summer, 1962.

5. Of special interest are the greatly increased numbers of requests to reprint *Journal* articles in books and other periodicals. Several digests and abstracting publications regularly use our materials.

6. Special emphasis was given this year to securing increasingly high quality manuscripts. The members of the Editorial Board and each of the Editorial Consultants served unstintingly, and the Editor deeply appreciates their assistance.

7. The standard size of the *Journal* has been increased to 88 pages. A new department reporting doctoral dissertation abstracts was established.

8. The R. D. Irwin Company, and the McGraw-Hill Company, continued to advertise regularly. In 1962, John Wiley and Sons will join the roster of regular advertisers. The Houghton-Mifflin Company is taking space in the April 1962 issue. Several single-copy advertisements were sold. An intensive search for new advertisers was made, with only moderate success.

Dalton E. McFarland, Editor

REPORTS OF PERMANENT COMMITTEES FOR 1961 REPORT OF FINANCE COMMITTEE

For the Finance Committee, Professor R. W. Morell indicated that he examined the financial statements for the Academy prepared by Professor Keith Davis and the accounting records for the *Journal of the Academy* prepared by Professor Dalton E. McFarland and found them to be in order. In the opinion of Professor Morell, the financial statements and the accounting records present fairly the financial condition of the Academy for the year 1961.

R. W. Morell, Chairman
Alfred Bornemann
Carlton A. Pederson

REPORT OF MEMBERSHIP COMMITTEE

Seventy-eight applications for admission to the Academy of Management were received this year. Seventy-two applicants were approved and five were disapproved.

APPLICATIONS

Source	Received	Approved	Disapproved	Pending
Industry	8	3	4	1
Academic	70	69	1	
	<hr/>	<hr/>	<hr/>	<hr/>
Total	78	72	5	1

Approximately 50% of the academic applications received were either from individuals holding the rank of associate professor and above or holding administrative positions. This may imply that the advantages of Academy membership do not come to the attention of, or do not become clear to, a substantial number of younger members of the academic profession.

The action of the committee in prior years has been fruitful this year in processing applications with a reasonable degree of dispatch. It has been a pleasure working with the officers of the Academy and with the editor of the *Journal of the Academy of Management*.

Max D. Richards, Chairman
Robert B. Fetter
Edwin B. Flippo
Costic Roman
R. Stansbury Stockton

REPORT OF THE PUBLIC RELATIONS COMMITTEE

News Releases

During the year news releases were sent out in connection with:

1. The Academy's 1961 research program in conjunction with the financial support of the American Management Association.
2. The talk of the Academy president at the Conference of the Western Division at Monterey, California.
3. The 21st Annual Meeting of the Academy at New York University, December 27-28, 1961.

Journal Subscription Campaign

In cooperation with Dalton E. McFarland, Editor of the *Journal of the Academy of Management*, an arrangement was made by which the 1200 members of the Industrial Management Society were solicited for subscriptions to the *Journal*.

Suggestions

It is suggested that in the future, as membership continues to grow, the officers give consideration to the possibility of engaging the services of one of the firms which specializes in the active management of professional societies and trade associations. This would relieve the officers of routine activities and enable them to concentrate more on long-range planning. It would also provide continuity in the Academy's operations

and make available, for the growth and development of the Academy, the creative resources of the association management firm.

The committee suggests that each member of the Academy always have on hand for his colleagues two copies of the Academy's descriptive brochure and membership application blanks. It is felt that this will be helpful not only from a public relations viewpoint but also with regard to membership growth.

John E. Burns, Chairman
Henry G. Baker
Frank A. DePhillips
Theo Haimann
J. Maynard Keech
Edward G. Koch
Thomas R. Masterson
Arthur B. Moss
Fremont A. Shull, Jr.

REPORT OF THE RESEARCH AND PUBLICATIONS COMMITTEE

The Committee met on Wednesday, December 27, 1961, at the Graduate School of Business Administration, New York University, New York. Members in attendance were Dale A. Henning, Paul Gordon, Stanley J. Seimer, Robert Fetter, Charles E. Summer, Jr., and Dalton McFarland. The chairman reported that forty-two separate projects totaling \$272,879.61 had been received for the 1961 research period. Of these proposals ten were selected as being particularly outstanding. These were sent to the American Management Association with the endorsement of the Academy of Management.

The following decisions were reached:

1. The chairman was to contact representatives of the A.M.A. to ascertain the status of research proposals submitted for the Academy in June, 1961.
2. The chairman was to request that the A.M.A. underwrite a minimum of \$10,000 of research projects to cover 1961 and 1962. This decision was reached because proposals were not approved in time for the 1961 research period, and because the total number of proposals submitted were so large that there were ample proposals to cover the 1962 research period.
3. The Academy was not to ask for research proposals for the 1962 research period but was to ask for A.M.A. approval of proposals already submitted for the 1961 research period.
4. The Committee unanimously agreed to recommend to the officers of the Academy that the Research and Publications Committee be separated into two committees. One committee would concentrate on research and the other on publications. The research committee would be concerned with such activities as seeking out sources of funds for underwriting research projects and informing members of possible sources of funds for research projects. The publication committee would give particular attention to the *Journal of The Academy of Management* and any other publication sponsored by the Academy.

5. The Committee discussed the desirability of assigning responsibility to some person or group within the Academy for approving research projects which require the sponsorship of the Academy or the use of Academy members as sources of information.

The chairman of the Committee expressed his appreciation to all members of the Committee for their assistance and cooperation during the year. The screening of research proposals was a particularly difficult and challenging assignment.

Preston P. LeBreton, Chairman
 David W. Belcher
 Lee E. Danielson
 Robert B. Fetter
 Claude S. George, Jr.
 Paul J. Gordon
 Dale A. Henning
 Dalton E. McFarland
 Wayne McNaughton
 Stanley J. Seimer
 Charles E. Summer, Jr.

Editor's Note: The A.M.A. under the auspices of the American Foundation for Management Research, Inc., approved the following projects:

- | | |
|--|--------|
| #24 "Determining Critical Requirements of Executive Motivation;" Heckman;;
University of Illinois..... | \$ 960 |
| #40 "Classification of Managerial Work," Stafford, Oklahoma State University. | 2451 |
| #30 "Human Problems in Merging Organizations," (Parts I, II, III), Shaffer and
Costello, New York University..... | 2770 |

REPORTS OF SPECIAL COMMITTEES FOR 1961 REPORT OF ACADEMIC PLACEMENT COMMITTEE

During 1961 the Academy's newly formed Committee on Academic Placement started operations. Early in November letters were sent to Academy members and to deans asking them to list openings and asking for applications for those available for placement. Summaries of data on both openings and applicants were mailed out in December. These lists covered some 45 job openings and 35 applicants, the number received up to December 5, 1961.

These were made available to those interested at our New York meeting in a special room provided by New York University.

It is too early to evaluate the accomplishments of the Committee's work so far. At the New York meeting there were few times when there were less than a half dozen people looking over the data sheets.

During the meetings and since early December, we have received additional data sheets for both openings and applicants and now have close to 75 of each. So, it would appear that there is a worthwhile job to be done here. Meanwhile, we are daily sending out letters telling deans who the candidates are and applicants which schools the coded numbers refer to. An early mailing covering all openings now on file is planned.

Franklin G. Moore, Chairman
 John R. Beishline
 Earl Planty
 Wayne G. Broehl, Jr.
 Wayne McNaughton

REPORT OF THE ACQUISITIONS COMMITTEE

The purpose of the committee is to secure funds from trusts, foundations, etc., for the support of Academy activities, especially research.

Committee members were appointed and then supplied with various materials relating to past research activity which was sponsored and the terms of such sponsorship, the financial needs of the *Journal*, and the specific goals of the committee as contrasted with the Research and Publications Committee.

Through personal interviews and correspondence, committee members contacted well over 350 foundations, business firms, and individuals. No significant contribution or support was produced by this effort.

In view of this result and the decision in New York to transfer the publications activity of the Research and Publications Committee to a separate committee—which will permit the Research Committee to devote all of its energies to the procurement and disbursement of research funds—the Acquisitions Committee should be permitted to lapse.

William M. Fox, Chairman
Rocco Carzo, Jr.
Keith Davis
Claude S. George, Jr.
Malcolm H. Gotterer
Virgil A. James
Harold Koontz
M. J. Mandeville
Leon C. Megginson
William H. Newman
Howard C. Nudd
Ralph M. Traxler, Jr.
E. H. Van Delden

REPORT OF AWARDS COMMITTEE

The purpose of the Awards Committee is to implement the vote of the Academy at the last business meeting to establish a specific recognition for selected individuals who had made outstanding contributions to the theory and practice of management.

The Awards Committee makes the following recommendations:

1. That the Awards Committee be continued as a standing committee of the Academy in order to:

- a. Conclude the unfinished assignment given to the original committee.
- b. Serve as the vehicle to originate, or receive, or give preliminary screening to, recommendations for award of the distinguished service honor contemplated under the 1960 action of the Academy.
- c. Screen and recommend to the Academy with respect to suggestions for other forms of recognition by the Academy.

2. That at the forthcoming business meeting the Academy be asked to decide specifically on the following points having to do with implementation of the award voted at the last meeting:

a. The nature of the distinguished service award to be granted. The original suggestion was that, in line with the procedure of certain other learned societies, the form of recognition should be a gold medal. One member of the present Awards Committee advocates a plaque in place of a medal. Another member of the Committee states that he has no very strong feeling either way. It is suggested that the body of the Academy may wish properly to decide on this matter.

b. The frequency of award is another issue on which I recommend the business meeting take action. My own feeling is that anything like an annual award would cheapen the honor to a point where it might become little more than a good conduct medal. I suggest (and I do not have the full view of the Committee on this point) that the award be restricted to:

- (1) An extraordinary contribution to the discipline of management, or possibly
- (2) A long period of distinguished service to the theory and philosophy of management, *including* a series of notable writings.

c. The question whether bestowal of the honor should be limited to members of the Academy needs to be resolved, and again I suggest by action of the Academy as a body. Two members of the present committee believe that the award should not be limited to Academy members.

Ronald B. Shuman, Chairman
Edward H. Bowman
Joseph D. Carrabino
Richard K. Gaumnitz

REPORT OF CONSTITUTIONAL CHANGES COMMITTEE

This is an interim report for the Academy's Committee on Constitutional Changes. As your program indicates I have been asked also to comment on "The Future of the Academy of Management." The Committee has not had an opportunity to pass on my views on this subject. It may or may not agree with them. My comments on the Academy's future, therefore, should be regarded merely as expressions of my personal opinion.

The Mission

At the Fellows dinner in December, 1960, I was asked to review the objectives of the Fellows Group, and to make suggestions for increasing its significance and effectiveness. I was asked subsequently by President George Terry, to expand the mission to include a review of the Academy's objectives, and the provisions of its constitution. I was authorized also to appoint a committee to work on this task.

The Purpose

The purpose of this expanded mission is some assurance that the constitution of the Academy is in consonance with any basic changes in the field of management that have taken place during the Fifties; that it is sufficiently broad and basic to supply a sound foundation for the Academy's growth and development during the Sixties.

Our economic forecasters and long-range planners do as well, probably, as may reasonably be expected. Yet, no one can say with certainty whether we are entering the "Soaring Sixties" or the "Sinking Sixties." About all that one can say with certainty is that there will be change. Our mission, therefore, is to re-examine the constitution and to assure ourselves that it is sufficiently basic and broad. It must enable us to cope with any change, during the sixties, that may affect the field of management and the work of the Academy. The Committee is expected to recommend such changes in the constitution as are necessary, in its opinion.

The Committee's Procedure

The chairman drew up a project proposal for the Committee in April, 1961. This was duplicated and sent to the members early in May. This proposal requested suggestions concerning the problems and difficulties of the Academy that should be considered. It asked for ideas concerning the nature and direction of the Academy's further development. It suggested also a procedure for the accomplishment of the Committee's mission.

This procedure was simple:

1. Provisional formulation, by the chairman, of the problems that may require some constitutional revisions.
2. The design of questions that will provide the membership with alternative choices of provisions for the solution of these problems.
3. Submission of the foregoing to the Committee for its concurrence, additions, or modifications.
4. An opinion poll of the Fellows Group to get a check on the validity of the proposals.
5. Report to the President of the Academy, with a recommendation that the proposed revisions be submitted to the membership for a ballot.

A time-table for the completion of these phases was set up. It proved to be quite unrealistic.

Analysis of the Responses

The responses to the chairman's request for ideas came in about as would be expected; slowly. The last response was received on December 13th, 1961. The extent of the responses, on the other hand, was quite good. Sixty-one different ideas were received from ten different persons, including three who are not on the committee. In addition, the chairman had the benefit of a conference with President Terry, in Columbus, in August. He had also two reports on regionalization.

The various suggestions were recorded by general type of problem, and the name of the contributor. Like suggestions were collated and integrated on the basis of the following general classification of problems. The frequency with which suggestions fell in a particular classification indicated the order of interest of their contributors. It is evident that the order of importance and the order of interest are not necessarily the same:

Order of Interest	Chairman's Order of Importance	Classification of Problems	Frequency of Suggestions	Percent Frequency
1	2	Objectives	17	18.7%
3.5	9	Membership	11	12.1
3.5	7	Organization Structure	11	12.1
3.5	8	Regionalization	11	12.1
3.5	10	Fellows Group	11	12.1
6	3	Policies	10	10.9
7.5	6	Research	8	8.8
7.5	5	Publications	8	8.8
9	4	Academy Functions	3	3.3
10	1	Image of the ACADEMY	1	1.1
			91	100.0%

The difference between the number of ideas received and the total frequency of suggestions is due to their wording; some of the suggestions represented compound ideas. They fell into two or more categories, consequently. The order of importance has no significance; it represents merely an expression of opinion by the chairman for such help to the committee as it may be able to give. The controlling consideration, obviously, will be the wishes of the Academy's membership, as expressed subsequently by ballot.

It became evident that a further classification of suggestions would be necessary to enable the membership to evaluate the proposals intelligently. Some suggestions concerned:

1. *Constitutional Provisions*; those concerned with the basic objectives and principles that govern the character and purpose of the organization, and therefore its very existence.

2. *By-Laws Provisions*; those concerned with the rules, and basic procedures for their application, that govern the conduct of the Academy's business.

3. *Policy Proposals*; those that should not be included in the constitution and by-laws of the Academy, but should be referred to the Board of Governors, and by this Board to some appropriate committee for further study and action.

A few examples will make clear the nature of this problem. The following suggestions would affect the constitution itself. One has to do with the professional image of the Academy; it envisions the Academy as an organization for the promotion of management education, and the advancement of an understanding of management by educational means. The image of the kind of an organization that one hopes to have at some future time governs the kind of objectives that one sets for it. These objectives are satisfactions of certain needs or desires, of course. The suggestions in this category were of two general kinds; those that served the needs of Society, or the management profession, and those that served the desires of certain groups within our membership. The following is an example of the first kind; a philosophy of management that will supply a basis for integrating the interests in management of educators, executives, employees and the general public, and therefore a basis for effective thinking in the solution of business problems.

The following is an example of the second kind; opportunities for young management educators to advance themselves through the publication of outstanding research findings. There is nothing wrong with serving the needs or desires of certain groups within our membership. It is necessary in fact, to hold their interest and support. On the other hand, group interests change greatly from decade to decade. A professional organization whose primary objectives are the personal interests of its members may have a great, short-term, mushroom growth, but it is not likely to have a long life. It can offer no basic values that can satisfy any long-term needs of society or its profession. The chairman, accordingly, will ask this committee to distinguish between the long-term, continuing objectives of the Academy, and the objectives of service to specialized or functional groups within it. The latter, in the opinion of the chairman, should be regarded as collateral objectives, in the sense that they should rank with, but after, the primary purposes of the Academy.

A number of suggestions concerned basic policy governing the growth of the organization. They may be summarized as follows: The geographical decentralization of the Academy's organization has become necessary, with its growth and consequent national dispersion of membership. The maintenance of the Academy's effectiveness requires some development of regional organizations within the framework of the Academy's structure. There appears to be a widespread interest in regionalization among the membership. It should be recognized, however, that this development may create some difficult organizational problems.

A number of suggestions, that could be considered for inclusion in the by-laws of the Academy, have been received. One example should suffice: The *Journal's* editor should be appointed annually by the President, on the recommendation of the Publication Committee and the approval of the Board. This is obviously not a statement of basic objective or principle; it is an operating rule.

A number of suggestions were received that did not appear to qualify either as proposals for constitutional or by-laws changes. They were more in the nature of advice to the President and the Board of Governors. Yet some of them are important. They may require enabling legislation in the constitution or the by-laws. The following are some examples: Split the secretary-treasurer's job; the research and publications functions. These would appear to be organizational policy decisions that the President and the Board should be able to make. If they do not now have this authority, then the membership should consider the delegation of this authority to them. The following two are expressions of opinion. These appear at first glance to be opposed, but they are not necessarily: The first one says that the membership of the Academy should be kept small to facilitate the development of professional acquaintances, the exchange of information and ideas, and other benefits of small membership. The other says that the Academy should be located in its own building in Washington, D.C. Suggestions such as these will be given to the Constitution Committee, with the recommendation that these be passed on to the Board for its information.

Further Steps in The Completion of This Project

The general nature of the Committee's problem, and the status of the project, have been reported above. The remaining steps in the completion of the project are chiefly the following:

1. The chairman will submit his report to the Committee, together with a proposed ballot form. This form will permit the Academy's members to vote on proposed changes in the constitution and by-laws, and where practicable on alternatives. The Fellows Group is a self-governing body. It will vote on those matters that pertain solely to its organization and operation.

2. The chairman's recommendations will be revised, in accordance with the wishes of the Committee.

3. A final report will be prepared for the Committee's approval. It will be forwarded to the Academy's President when approved with a recommendation for appropriate action. This action would include, presumably, the submission of the ballot on constitutional and by-law changes to the Academy's membership.

The Future of the Academy of Management

I would like to repeat that I am not authorized to speak for the Constitution Committee on "The Future of the Academy of Management." It should be understood also that I possess no clairvoyant qualities. It is a legitimate question, on the other hand, since any attempt to adjust our constitution to the needs of the sixties requires some estimate of the future. For this reason, I will offer my guess.

There are a number of conditions that may limit the future of the Academy. The following are obvious: First, the kind of an Academy that the members want, and their willingness to invest the time, money and effort that are necessary to get it; Second, the ability of the future leadership of the Academy to foresee the needs of the public and the business community for intellectual leadership in the field of management, and to develop the Academy's functions accordingly. The probable direction of development is a matter of opinion. I believe, however, that:

1. *The Academy will gradually assume an important position of intellectual leadership, during the Sixties, in the field of management.* It will speak publicly for the field of management, much as the American Medical Association speaks for the field of medicine. At the present time, almost everyone presents publicly the management point of view concerning the operation of the economy, and its business institutions, except the management educator. The results have not been too good. In this connection, it is believed that the Academy should take the initiative in gaining public acceptance of a sound management philosophy, based on the concepts of private property and private enterprise. Someone should arm the public intellectually against a temporary breakdown of our economy. It is not beyond the realm of possibility that such a thing could happen, despite the forces of planned inflation.

2. *The Academy will assume greater responsibilities for the professional development of the field of management.* It may develop its own professional criteria for its field. It may accordingly determine the basic knowledges on which a professional development should rest. It should do so, rather than abdicate this responsibility to non-management educators, as has been done to date. A discharge of these responsibilities will require cooperation with the various functional management societies. It will require also the development of a professional *esprit de corps* among management educators and management practitioners.

3. *The Academy will play a more important role in the promotion of management research.* It is probable, however, that it will act as a coordination center for research, rather than a research center. It may sponsor its own management research projects. It seems more probable that it will serve as an office of record and issue for management research needs that are reported to it.

4. *The organization of the Academy will change greatly during the Sixties.* The number of full-rank members of the Academy probably will remain relatively small. These will be largely management educators and scholars. The organization of the Academy will expand through decentralization and the establishment of regional organizations. The regional organizations will include, probably, substantial numbers of associate members who are not eligible for membership in the Academy. This may pose some problems. There does not appear to be any general desire, at this time for the establishment of functional divisions within the Academy. There is, however, some desire for close cooperative relations with functional management societies. Some Academy members fear that some of these societies may overshadow the Academy, because of their large memberships. More seem to feel that quality is more important than quantity in the development of intellectual leadership. The dream of a national headquarters may depend more on superiority of intellectual force than on superiority of numbers.

5. *The Academy probably will develop closer, cooperative relations with associations of management practitioners, without losing its identity as an association of management educators and scholars.* Such a development is necessary for an effective exercise of intellectual leadership. Management is a field of applied knowledge. The Academy can not ignore those who apply management principles. It is believed, accordingly, that it will continue to confer membership on outstanding practitioners, who are also outstanding management scholars.

6. *The Academy probably will be forced to develop more effective support of the management field by the behavioral and social sciences on the one hand, and the physical sciences on the other.* The rapid transfer of skill, knowledge and effort from labor to capital, the growth consequently of technological unemployment, the importance of research and development in the creation of new products and processes, the movement of capital abroad, and other developments, make this inevitable. The relations of the behavioral and social sciences to management will be much like that of physics, chemistry and mathematics to engineering; these will be supporting sciences.

It is not important whether the above guesses do or do not come true. Management is the function of executive leadership, anywhere. Business management is the function of executive leadership in economic institutions. We operate an advanced industrial economy. It is based on the right of private property, a free market economy, and private enterprise. Our ability to maintain a high standard of living, and win a third world war, cold or hot, depends primarily on the excellent management of our busi-

ness establishments. Regardless of how the decade develops, the Academy has a great opportunity to make a vital contribution to the development of excellent management. Such a contribution requires the development of a strong position of intellectual leadership.

Ralph C. Davis, Chairman
John R. Beishline
Keith Davis
Harold Koontz
Merten J. Mandeville
John F. Mee
Harold F. Smiddy

REPORT ON MANAGEMENT EDUCATION— CURRICULUM COMMITTEE

The Committee makes the following suggestions on professionalism:

It seems logical that teachers of management should lead the way in establishing the professional standards. Teachers were active in creating the professional standards in medicine, law, and accounting—and even for the CLU, CPCU programs. Furthermore, college education has to be the key to establishment of a profession. As Justice Brandeis defined a profession, the first point was that a profession is an occupation for which the necessary preliminary training is intellectual in character, involving knowledge and to some extent, learning, as distinguished from mere skill. Therefore, the colleges have this storehouse of knowledge, and we need standards to make certain the professional has acquired this knowledge.

Based upon an examination of the approaches used in law, medicine, accounting, psychology, and insurance, perhaps we could use the following approach in establishing standards.

Member of the Academy—Shall stay as defined in the Constitution—a teacher or management executive who has made a contribution to management theory.

Fellow of the Academy—This requirement should be changed to indicate professional standards. For example, the American Psychological Association requires that a Fellow have a doctorate, including at least 12 hours of graduate work in psychology at an accredited institution. We should at least require graduate work of 12 hours or equivalent in management at an accredited college. Executives who have a recognized position of leadership, plus the completion of an executive development program at a recognized university would also meet this basic requirement. Furthermore, proof of leadership in the field of management (as now required) should be continued. A type of "Hippocratic Oath" of ethics should be established for members of this rank.

Diplomate of the Academy—In addition to meeting the requirements for Fellow of the Academy, the Diplomate must pass a written examination conducted by the Academy.

Thomas J. Luck, Chairman
Ralph C. Davis
Ellis M. Derby
Everett N. Hong
James C. Chapman

REPORT OF REGIONAL DIVISIONS COMMITTEE

The Committee on Regional Divisions of the Academy of Management recommended that divisions of the Academy be established in the following areas: Eastern, Southern, Midwestern, Mountain, Pacific, and Southwest. The exact division of states into these areas should be made by the Board of Governors. Local management associations presently active in these areas should be encouraged to affiliate with the Academy, and the Academy should encourage the organization of divisions in those areas where no organization exists presently. Each division should elect officers (President, Vice President for Program, and a Secretary-Treasurer), should be given considerable autonomy, and should conduct whatever activities it pleases so long as they do not conflict with the activities of the Academy. The President of each division should be a member of the Board of Governors of the Academy during his term. (Membership of these regional divisions should also be members of the Academy, and an associate membership status should be established for those not qualifying for full membership.) The Academy should assist in the organization of regional divisions to the extent of providing \$100 during the first year of their existence.

By an amendment, the sentence relating to compulsory membership in the Academy and the establishment of an associate member status was deleted, and the remainder of the committee report was approved.

Charles W. Voris, Chairman
L. D. Bishop
Claude S. George, Jr.
Robert D. Henderson

Academy of Management Directory of Members

(*Denotes Fellow in the Academy)

Professor Jacob H. Abers
University of California
630 Sansome Street, Room 128
San Francisco, California

Professor Israel Abramowitz
2462 Claver Road
University Heights, Ohio

Professor Wyeth Allen
University of Michigan
235 West Engineering Building
Ann Arbor, Michigan

Professor Laird B. Allison
1615 South El Molino
Alhambra, California

Mr. Dean S. Ammer
18 Channing Place
Eastchester, New York

*Professor Arthur G. Anderson
4825 Del Mar Avenue
San Diego, California

*Professor E. H. Anderson
School of Comm. and Bus. Adm.
University of Alabama
Tuscaloosa, Alabama

Captain Herbert H. Anderson
U.S. Naval Postgraduate School
Monterey, California

Professor G. Jay Anyon
Wharton School of Business
University of Pennsylvania
Philadelphia, Pennsylvania

Mr. William J. Arnold
Management Editor, Business Week
330 West 42nd Street
New York 36, New York

Professor Joel P. Authement
P.O. Box 685
University of Southwestern Louisiana
Lafayette, Louisiana

Professor Joseph K. Baily
Business Economics Office Building 501
University of Texas
Austin 12, Texas

Professor Robert E. Baird
Department of General Business
Michigan State University
East Lansing, Michigan

Professor Henry G. Baker
Director, Executive Management Prog.
University of Cincinnati
College of Business Administration
Cincinnati 21, Ohio

*Hon. C. C. Balderston
Board of Governors
Federal Reserve Building
20th Constitution Avenue
Washington, D.C.

Dr. Robert W. Barclay, Director
Mead-Johnson Institute
Mead-Johnson and Company
Evansville, Indiana

Professor Edward M. Barnet
School of Business Administration
Michigan State University
East Lansing, Michigan

Professor Stephen J. Barres
Division of Business and Economics
Orange County State College
Fullerton, California

Professor Thomas P. Barrett
Division of Business
Stanislaus State College
Turlock, California

Professor Andrew Barta
College of Business Administration
Syracuse University
Syracuse, New York

Professor Clifford M. Baumbach
School of Business Administration
State University of Iowa
Iowa City, Iowa

*Professor John R. Beishline
School of Commerce
New York University
Washington Square,
New York 3, New York

Professor David W. Belcher
Department of Management
San Diego State College
San Diego 15, California

Professor William M. Berliner
School of Commerce
New York University
Washington Square
New York 3, New York

Professor Wilmar F. Bernthal
School of Business
University of Colorado
Boulder, Colorado

Professor Hilary R. Beth, Dean
School of Business
University of Dayton
Dayton, Ohio

Professor Bernard J. Bienvenu
Department of Management, Box 598
University of Southwestern Louisiana
Lafayette, Louisiana

Professor Luther D. Bishop
Faculty Exchange
University of Oklahoma
Norman, Oklahoma

Professor Jacob J. Blair
765 Gypsy Lane
Pittsburgh 34, Pennsylvania

Professor Robert L. Blomstrom
245 Cairo Drive
Tempe, Arizona

Professor William F. Boore
School of Economics and Business
Washington State University
Pullman, Washington

Professor Alfred Bornemann
Apartment C5, 151 Engle Street
Englewood, New Jersey

Dean Leon Bosch
Graduate School of Business
Northwestern University
339 East Chicago
Chicago 11, Illinois

Professor Thomas R. Bossort
1110 Brooks Lane
Bloomington, Indiana

Professor James B. Boulden
1076 Eighth Avenue
Redwood City, California

Professor Edward H. Bowman
Massachusetts Institute of Technology
Cambridge 39, Massachusetts

Professor J. Richard Box
114-3 Laws Hall
Miami University
Oxford, Ohio

*Professor Robert P. Brecht
Wharton School of Finance and Comm.
University of Pennsylvania
Philadelphia 4, Pennsylvania

Mr. Frederic A. Brett
56 The Highlands
Tuscaloosa, Alabama

Professor Francis J. Bridges
Georgia State College of Bus. Adm.
33 Gilmer Street, SE
Atlanta 3, Georgia

Professor Wayne G. Broehl, Jr.
University College
Dublin, Ireland

Professor H. N. Broom
Hankamer School of Business
Baylor University
Waco, Texas

Professor John M. Brophy
School of Business Administration
University of Rochester
Rochester, New York

*Mr. Alvin Brown
Bethany Beach, Delaware

Mr. Carroll J. Brown
Socony Mobil Oil Company, Inc.
150 East 42nd Street
New York 17, New York

Professor Edward G. Brown
Business Administration Staff Building
University of Washington
Seattle, Washington

Professor Leslie A. Bryan
318 Civil Engineering Hall
University of Illinois
Urbana, Illinois

Professor Stanley E. Bryan
College of Business Administration
Michigan State University
East Lansing, Michigan

Professor Elwood S. Buffa
School of Business Administration
University of California
Los Angeles 24, California

Mr. Elmer Burack
2755 Marl Oak Drive
Highland Park, Illinois

Professor John E. Burns
College of Commerce
DePaul University
Chicago 4, Illinois

Dean Edward C. Burris
College of Business
Oklahoma State University
Stillwater, Oklahoma

Professor Harry Buttmer
6126 Ascot Drive
Oakland, California

Professor Grant H. Calder
Annex 212
University of Utah
Salt Lake City, Utah

Professor Charles L. Campbell
Hillsdale College
Hillsdale, Michigan

Professor W. R. Campbell
College of Business Administration
Arizona State University
Tempe, Arizona

Mr. Albert A. Canfield
3916 Hillside Drive
Royal Oak, Michigan

Professor Robert W. Carney
Industrial Management School
Georgia Institute of Technology
Atlanta, Georgia

Professor Joseph D. Carrabino
Graduate School of Business Adm.
University of California
Los Angeles 24, California

Mr. Phil Carroll
6 Crestwood Drive
Maplewood, New Jersey

Mr. Thomas Henry Carroll, President
The George Washington University
Washington 6, D.C.

Professor Martin B. Carter
School of Commerce
New York University
Washington Square
New York 3, New York

Professor Rocco Carzo, Jr.
College of Business Administration
Pennsylvania State University
University Park, Pennsylvania

Professor James E. Chapman
Georgia State College of Bus. Adm.
33 Gilmer Street, SE
Atlanta 3, Georgia

Professor Herbert Chruden
251 Bancroft Way
Sacramento 25, California

Mr. W. Van Alan Clark, Jr.
Sippican Corporation
Marion, Massachusetts

Professor Sidney J. Claunch
School of Business Administration
University of Massachusetts
Amherst, Massachusetts

Professor Robert H. Cojean
University of Michigan — Flint College
1321 East Court Street
Flint, Michigan

Dr. Raymond R. Colton
60 West 68th Street
New York 23, New York

Professor Robert G. Cook
School of Business and Public Adm.
University of Missouri
Columbia, Missouri

Professor Robert I. Cook
Tri-State College
Angola, Indiana

Professor Paul R. Cone, Chairman
Department of Bus. and Ind. Man.
University of Southern California
Los Angeles 7, California

Professor Edward G. Cornelius
Box 129A Tech Station
Cookeville, Tennessee

Professor Francis J. Corrigan, Director
Department of Management
St. Louis University
3674 Lindell Boulevard
St. Louis 8, Missouri

Professor John R. Cox
6000 J Street
Sacramento 19, California

*Professor Maurice C. Cross
College of Business Administration
Syracuse University
Syracuse, New York

Professor Jack F. Culley
1644 Morningside Drive
Iowa City, Iowa

Professor Alfred B. Cummins
School of Business, Cutler Hall
Western Reserve University
Cleveland 6, Ohio

Professor Edmond H. Curcuro
1 Woodhill Road
Weston, Connecticut
Dr. Ernest Dale
15 East 55th Street
New York 22, New York

Professor Lee E. Danielson
University of Michigan
Ann Arbor, Michigan

Professor John W. Darr
P.O. Box 304
State College, Mississippi

*Professor Paul M. Dauten, Jr.
917 Lincolnshire Drive
Champaign, Illinois

Professor Maurice Davier
Graduate School of Business
University of Virginia
Charlottesville, Virginia

*Professor Keith Davis, Chairman
Department of Management
Arizona State University
Tempe, Arizona

*Professor Ralph C. Davis
College of Commerce and Adm.
The Ohio State University
Columbus 10, Ohio

Mr. David R. Day
Bureau of Business Research
Ohio State University
Columbus, Ohio

Professor Frank A. DePhillips
42 Hudson Street
Farmingdale, Long Island, New York

Mr. Ellis M. Derby
35 Reynen Court
Ridgewood, New Jersey

Professor Bruce DeSpelder
School of Business Administration
Wayne State University
Detroit 1, Michigan

Dr. Norman Deunk
IBM, Incorporated
618 South Michigan
Chicago, Illinois

Professor Jack T. Dobson
School of Business
Florida State University
Tallahassee, Florida

Professor Paul Donham
Rock Harbor Road
Orleans, Massachusetts

Dean Richard Donham
School of Business
Northwestern University
Evanston, Illinois

Professor Arch R. Dooley
Harvard School of Business
Soldiers Field
Boston 63, Massachusetts

Professor John Douglas
School of Business Administration
Wayne State University
Detroit, Michigan

Professor John T. Doutt
College of Business Administration
Kent State University
Kent, Ohio

Professor Peter F. Drucker
138 North Mountain Avenue
Montclair, New Jersey

*Professor Henry P. Dutton
155 Longview Drive
Hendersonville, North Carolina

Professor Robert W. Dvorsky
Department of Management
Temple University
Philadelphia 22, Pennsylvania

Professor Paul Ecker
Navy Management School
U.S. Naval Postgraduate School
Monterey, California

Professor Elbert T. Eggers
Georgia State College of Bus. Adm.
Atlanta 3, Georgia

*Mr. Robert W. Elsasser
503 Acme Life Building
833 Howard Avenue
New Orleans 12, Louisiana

Professor John T. Emerson
Division of Business
Fresno State College
Fresno 26, California

Professor Henry J. Engler, Jr.
College of Business Administration
Loyola University
New Orleans 18, Louisiana

Professor Richard F. Ericson
Building Y, Room 21
The George Washington University
Washington 6, D.C.

Professor Chester E. Evans
School of Business Administration
Wayne State University
Detroit 2, Michigan

Professor Lee S. Evans
1730 South Cook Street
Denver 10, Colorado

Professor Harry F. Evarts
School of Business
Northwestern University
Evanston, Illinois

Professor Harold E. Fearon
Department of Management
Arizona State University
Tempe, Arizona

*Professor Robert B. Fetter
Barberry Lane
Woodbridge, Connecticut

Professor Allan C. Filley
School of Commerce
University of Wisconsin
Madison, Wisconsin

*Mr. George Filipetti
617 Kirkwood Place
La Jolla, California

Professor Louis J. Fischl
San Jose State College
San Jose, California

*Mr. L. S. Fish
Standard Oil Company of New Jersey
30 Rockefeller Plaza
New York 20, New York

Professor Edwin B. Filippo
Division of Business
Los Angeles State College
Los Angeles, California

*Professor F. E. Folts
Graduate School of Business Adm.
Harvard University
Boston 63, Massachusetts

Mr. Edwin J. Forsythe
1172 Student Center
Wayne State University
Detroit 2, Michigan

Professor W. M. Fox
College of Business Administration
University of Florida
Gainesville, Florida

Professor Samuel Fox
University of Illinois at Chicago
Navy Pier
Chicago 11, Illinois

Professor Wendell L. French
College of Business Administration
University of Washington
Seattle 5, Washington

Professor Walter Gast
1545 North 58th Street
Milwaukee 8, Wisconsin

Professor Richard K. Gaumnitz
School of Business Administration
University of Minnesota
Minneapolis, Minnesota

Professor Claude S. George, Jr.
College of Business Administration
University of North Carolina
Chapel Hill, North Carolina

Mr. Norman George, Manager
Research and Development
National Management Association
333 West First Street
Dayton 2, Ohio

Professor John B. Gertz
97 Kensington Avenue
St. Clair Beach
Tecumseh, Ontario, Canada

Professor Joseph Gill
University of Arizona
Tucson, Arizona

Mr. Clarence H. Gillett
P.O. Box 157
Riverside, Illinois

Professor Frank F. Gilmore
School of Business Administration
Cornell University
Ithaca, New York

Professor Thomas Gilson
Department of Management
Rutgers University
New Brunswick, New Jersey

Professor N. A. Glaskowsky, Jr.
School of Business Administration
University of Minnesota
Minneapolis 14, Minnesota

Professor John G. Glover
22 Fairway Drive
West Orange, New Jersey

Professor Earl Goddard
School of Business
University of Colorado
Boulder, Colorado

Professor Paul C. Goelz
St. Mary's University
Woodlawn Campus
San Antonio 1, Texas

*Professor B. E. Goetz
School of Industrial Management
Massachusetts Institute of Technology
Cambridge 39, Massachusetts

Professor Bela Gold
Graduate School of Business
University of Pittsburgh
Pittsburgh 13, Pennsylvania

Professor Robert T. Golembiewski
Department of Management
317B David Kinley Hall
University of Illinois
Urbana, Illinois

Professor William Gomberg
Wharton School of Business
University of Pennsylvania
Philadelphia, Pennsylvania

Professor Richard F. Gonzalez
Dept. of Personnel and Prod. Adm.
Michigan State University
East Lansing, Michigan

Mr. Milton Gordon
830 Rim Road
Pasadena, California

Professor Paul J. Gordon
School of Business Administration
Indiana University
Bloomington, Indiana

Professor George J. Gore
College of Business Administration
University of Cincinnati
Cincinnati 21, Ohio

Professor Malcolm H. Gotterer
Box 191
Berkeley 1, California

Dean Paul V. Grambsch
School of Business Administration
University of Minnesota
Minneapolis, Minnesota

*Professor Robert D. Gray, Director
Industrial Relations Section
California Institute of Technology
Pasadena 4, California

Dean Paul M. Green
214 David Kinley Hall
University of Illinois
Urbana, Illinois

Professor R. Earl Green
School of Industrial Management
Georgia Institute of Technology
Atlanta, Georgia

Professor William E. Green
Box 602
University of Mississippi
University, Mississippi

Professor Paul S. Greenlaw
Box 14, Boucke Building
Pennsylvania State University
University Park, Pennsylvania

Professor William T. Greenwood
Department of Management
Arizona State University
Tempe, Arizona

*Dean Austin Grimshaw
College of Business Administration
University of Washington
Seattle, Washington

Professor Lawrence C. Hackmack
School of Business
Northern Illinois University
DeKalb, Illinois

Dr. Charles W. Hackett
U.S. Steel Corporation
525 William Penn Place
Pittsburgh 30, Pennsylvania

Professor Theo S. Haimann
School of Commerce
St. Louis University
St. Louis, Missouri

Professor H. Lawrence Hall
School of Commerce
University of Southern California
University Park
Los Angeles 7, California

Professor William R. Hammond
Georgia State College of Bus. Adm.
Atlanta Division
24 Ivy Street
Atlanta 3, Georgia

Professor Bernard Hanes
Los Angeles State College
5151 State College Drive
Los Angeles 32, California

Professor William V. Haney
School of Business
Northwestern University
Evanston, Illinois

Dean M. M. Hargrove
University of Tulsa
Tulsa 4, Oklahoma

Professor Fred V. Hartenstein
School of Business
Western Michigan University
Kalamazoo

Professor Richard I. Hartman
College of Business Administration
Bradley University
Peoria, Illinois

Mr. Robert E. Hastings, Research Assoc.
1776D Kings Court
Columbus 12, Ohio

Mr. J. Allen Harlen
2137 East Adams Street
Tucson, Arizona

Professor Donald G. Halper
Division of Business
Fresno State College
Fresno 26, California

Dean Ike H. Harrison
School of Business
Texas Christian University
Fort Worth, Texas

Professor R. C. Hauser
General Delivery
Southwestern Louisiana Institute
Lafayette, Louisiana

Professor Robert D. Hay
College of Business Administration
University of Arkansas
Fayetteville, Arkansas

Professor James L. Hayes
School of Business Administration
Duquesne University
600 Forbes Avenue
Pittsburgh, Pennsylvania

Dr. James H. Healey
Management and Business Services
505 Harley Drive, Unit 7
Columbus 2, Ohio

Professor Ralph C. Heath
Wake Forrest College
2027 Queen Street
Winston-Salem, North Carolina

Professor Emery J. Hebert
USL Box 921
University of Southwestern Louisiana
Lafayette, Louisiana

Professor Irvin L. Heckmann, Jr.
317B David Kinley Hall
College of Comm. and Bus. Adm.
University of Illinois
Urbana, Illinois

Professor Edwin T. Hellebrandt
153 Morris Avenue
P.O. Box 228
Athens, Ohio

Professor Robert D. Henderson
Department of Business Administration
Bowling Green State University
Bowling Green, Ohio

Professor John W. Hennessey
Amos Tuck School of Bus. Adm.
Dartmouth College
Hanover, New Hampshire

Professor Dale A. Henning
College of Business Administration
University of Washington
Seattle, Washington

*Mr. Frank F. Henry
Oneida, Illinois

Professor Herbert G. Hicks
Department of Management and Mkt.
College of Business Administration
Louisiana State University
Baton Rouge, Louisiana

Professor John H. Hoagland
College of Bus. & Public Service
Michigan State University
East Lansing, Michigan

Professor Henry G. Hodges
1425 Trillo Avenue
Coral Gables, Florida

Professor James C. Hodgetts
3323 Stanhope Drive
Toledo 6, Ohio

*Professor Paul E. Holden
Graduate School of Business
Stanford University
Stanford, California

Professor Jack H. Holland
San Jose State College
San Jose 14, California

Mr. Clay Hollister
Ernst and Ernst
Union Commerce Building
Cleveland 14, Ohio

Professor Everette N. Hong
Southern Illinois University
Carbondale, Illinois

Mr. Schuyler D. Hoslett
Vice President
Dun & Bradstreet, Inc.
99 Church Street
New York 8, New York

Professor Robert J. House
Haggerty Hall
Ohio State University
Columbus, Ohio

Mr. George C. Houston
318 North State Road
Briarcliff Manor, New York

Professor H. Arthur Hoverland
Division of Business
San Jose State College
San Jose, California

Professor S. G. Huneryager
Department of Management
College of Business Administration
Arizona State University
Tempe, Arizona

Professor James M. Hund
School of Business Administration
Emory University
Atlanta 22, Georgia

Professor Arch W. Hunt
Baylor University
Waco, Texas

Dr. Moris E. Hurley, Jr.
3144 Claremont Avenue
Berkeley 5, California

Professor William E. Hurley
Ohio State University
School of Logistics
Building 288, Area A
Wright Patterson Air Force Base, Ohio

Professor John G. Hutchinson
911 Hutchins Avenue
Ann Arbor, Michigan

Professor John Ih-Sen Hsu
Department of Industrial Administration
Villanova University
Villanova, Pennsylvania

Professor Thomas S. Isaack
College of Business Administration
West Virginia University
Morgantown, West Virginia

Professor William J. Jaffe
Department of Management Engineering
Newark College of Engineering
Newark 2, New Jersey

Dr. Virgil A. James
188 Caterson Terrace
Hartsdale, New York

*Professor C. L. Jamison
School of Business Administration
University of Michigan
Ann Arbor, Michigan

Professor Joe L. Jessup
George Washington University
Washington 6, D.C.

Professor Rossall J. Johnson
1914 Sheridan Road
Evanston, Illinois

Professor Alton C. Johnson
School of Commerce
University of Wisconsin
Madison, Wisconsin

Professor Howard W. Johnson
School of Industrial Management
Massachusetts Institute of Technology
Cambridge, Massachusetts

Professor Richard A. Johnson
College of Business Administration
University of Washington
Seattle 5, Washington

Professor Manley H. Jones
Business and Economics Department
Illinois Institute of Technology
3300 Federal Street
Chicago, Illinois

*Professor Michael J. Jucius
College of Commerce and Administration
1775 South College Road
Columbus 10, Ohio

Professor Henry Juckerstorff
6650 Devonshire Avenue
St. Louis 9, Missouri

*Professor V. S. Karabasz
School of Business Administration
University of Miami
Coral Gables, Florida

Professor Fremont E. Kast
College of Business Administration
University of Washington
Seattle 5, Washington

Professor Robert L. Katz
130 Brookwood Road
Woodside, California

Professor Leonard J. Kazmier
College of Business Administration
University of Notre Dame
Notre Dame, Indiana

Professor James M. Keech
Department of Management
University of Miami
Coral Gables, Florida

Professor Lyman A. Keith
Northeastern University
360 Huntingdon Avenue
Boston 15, Massachusetts

Dean Richard A. Kelley
College of Special Studies
Tufts University
Medford 55, Massachusetts

Mr. Eugene J. Kelly
Graduate School of Business Adm.
New York University
100 Trinity Place
New York 6, New York

Professor William H. Keown
Department of Business Management
University of Oklahoma
Norman, Oklahoma

Mr. Edward D. Kemble
48 Browning Drive
Ossining, New York

Professor Jerome Lyle Kerby
School of Business
Texas Christian University
Fort Worth, Texas

Professor Fred K. Kindig
School of Business Administration
University of Pittsburgh
Pittsburgh 13, Pennsylvania

Professor Charles R. Klasson
College of Business Administration
University of Texas
Austin, Texas

Professor Frederick Klein
Apartment 54
106 Morningside Drive
New York 27, New York

Professor Walter H. Klein
Industrial Administration Dept.
Villanova University
Villanova, Pennsylvania

Professor John B. Kline
School of Business
University of Colorado
Boulder, Colorado

Mr. Herbert F. Klingman
600 West Kilbourn Avenue
Milwaukee 3, Wisconsin

Mr. Raymond H. Klug
6833 Gardenvue Drive
Dayton 31, Ohio

President Asa S. Knowles
Northeastern University
Boston, Massachusetts

Professor Henry P. Knowles
College of Business Administration
University of Washington
Seattle 5, Washington

Professor Harry R. Knudsen, Jr.
263 Business Administration Building
University of Washington
Seattle 5, Washington

Dr. Edward G. Koch
Graduate School of Business Adm.
University of California
Los Angeles 24, California

*Mr. Harold Koontz
4838 Gloria Avenue
Encino, California

Professor Harold E. Kubly
332 Commerce Building
University of Wisconsin
Madison 6, Wisconsin

Professor Rudolph L. Lagai
New York University School of Comm.
Washington Square
New York 3, New York

Professor Adolph Langsner
2640 West Coyle Avenue
Chicago 45, Illinois

Professor Thomas F. Lavender
Box 240, Old Main
Marshall University
Huntington, West Virginia

*Professor Chester F. Lay
Trinity University
San Antonio 12, Texas

Professor Pedro C. Leano
College of Business Administration
Northeastern University
Boston 15, Massachusetts

*Professor Preston P. Le Breton
College of Commerce
University of Washington
Seattle, Washington

Professor H. K. L'Ecuier
1720 Louisiana Street
Lawrence, Kansas

*Professor K. E. Leib
College of Commerce
State University of Iowa
Iowa City, Iowa

Mr. Ira M. Levy
21708 Elkwood Street
Canoga Park, California

Professor Cyril C. Ling
College of Business Administration
University of Cincinnati
Cincinnati 21, Ohio

Professor Otis Lipstreu
School of Business
University of Colorado
Boulder, Colorado

Professor C. L. Littlefield
Department of Management
North Texas State College
Denton, Texas

Mr. Joseph A. Litterer
David Kinley Hall
University of Illinois
Urbana, Illinois

Professor William D. Litzinger
Los Angeles State College
Division of Business
Los Angeles 32, California

Professor James P. Logan
Graduate School of Business
Columbia University

Professor Justin G. Longenecker
School of Business
Baylor University
Waco, Texas

Professor Narendra P. Loomba
College of Business Administration
University of Iowa
Iowa City, Iowa

Professor Eden C. Lorentzen
1015 South 14 E Street
Salt Lake City 5, Utah

Mr. Thomas Luck
212 Fleetwood
Bloomington, Illinois

Mr. Henry Ludmer
134 Peach Street
Park Forest, Illinois

Professor Craig C. Lundberg
School of Business Administration
University of Western Ontario
London Ontario, Canada

Professor Rodney F. Luther
Los Angeles State College
18111 Nordhoff Street
Northridge, California

*Professor Charles W. Lytle
226 Hunter Avenue
Philipse Manor
Tarrytown, New York

Professor Adrian M. McDonough
Wharton School
University of Pennsylvania
Philadelphia 4, Pennsylvania

Professor Ward J. McDowell
Arthur D. Little, Inc.
Acorn Park, Inc.
Cambridge 40, Massachusetts

*Professor Dalton E. McFarland
Department of Personnel and Production
College of Bus. Adm. and Pub. Services
Michigan State University
East Lansing, Michigan

Professor Quinn G. McKay
370 Jessie Knight Building
Brigham Young University
Provo, Utah

Professor Claude McMillan
Dept. of Personnel and Prod. Adm.
Michigan State University

East Lansing, Michigan
Professor Stewart Y. McMullen
Department of Business Administration
University of Illinois
Urbana, Illinois

*Professor Wayne L. McNaughton
School of Business Administration
University of California
Los Angeles 24, California

Mr. Walter J. McNerney, President
Blue Cross Association
840 North Lake Shore Drive
Chicago 11, Illinois

Professor Huxley Madeheim
Bernard M. Baruch School of Business
City College of New York
17 Lexington Avenue
New York 10, New York

Mr. Harvey Maertin
2257 Densmore Drive
Toledo 6, Ohio

*Professor M. J. Mandeville
424 David Kinley Hall
University of Illinois
Urbana, Illinois

Professor Robert C. Manhart
116 B
University of Missouri
Columbia, Missouri

Professor Karl O. Mann
School of Business
University of Toledo
Toledo 6, Ohio

Professor Jack W. Martin
School of Business Administration
University of Denver
Denver, Colorado

Professor Joseph L. Massie
College of Commerce
University of Kentucky
Lexington, Kentucky

Professor Thomas R. Masterson
School of Business Administration
Emory University
Atlanta 22, Georgia

Professor M. M. Mautner
435½ South Hamel Road
Los Angeles 48, California

*Professor John F. Mee
School of Business
Indiana University
Bloomington, Indiana

Dr. Leon C. Megginson
College of Business Administration
Louisiana State University
Baton Rouge, Louisiana

Professor Robert C. Meier
College of Business Administration
University of Washington
Seattle 5, Washington

Professor V. A. Metzger
11631 Warner Avenue
Route 4
Santa Ana, California

Mrs. M. A. Miles
Box 1522
University, Alabama

Professor Ben Miller
St. John's University
Grand Central and Utopia Parkway
Jamica 32, New York

Professor Charles S. Miller
College of Business Administration
University of Nebraska
Lincoln, Nebraska

Professor R. William Millman
School of Industrial Management
Georgia Institute of Technology
Atlanta 13, Georgia

Mr. H. Jefferson Mills, Jr.
Data Processing Corporation of America
375 Park Avenue
New York 22, New York

Mr. Charles R. Milton
2409 Commonwealth Drive
Charlottesville, Virginia

Professor John B. Miner
75 Arcadia Drive
Eugene, Oregon

Mr. Walter Mitchell, Jr.
Executive Director
Society for Advancement of Mgt.
74 Fifth Avenue
New York 11, New York

Professor B. R. Moeckel
College of Commerce and Adm.
The Ohio State University
Columbus, Ohio

Professor David G. Moore
Department of General Business
Michigan State University
East Lansing, Michigan

*Professor Franklin G. Moore
University of Michigan
Ann Arbor, Michigan

Professor Leo B. Moore
School of Industrial Management
Massachusetts Institute of Technology
Cambridge 39, Massachusetts

Professor Robert W. Morell
St. Joseph's College
Collegeville, Indiana

Professor Edward J. Morrison
Division of Management
University of Colorado
Boulder, Colorado

Professor Arthur B. Moss
Box 3607
University Station
Charlottesville, Virginia

Professor Felix Muehlner
Matherly Hall 328
University of Florida
Gainesville, Florida

Dean Edwin W. Mumma
College of Business Administration
University of Texas
Austin, Texas

Professor Leslie E. Munneke
Department of Management
University of Houston
Houston 4, Texas

*Dean Clark E. Myers
School of Business Administration
University of Miami
Coral Gables 46, Florida

Professor Kenneth H. Myers, Jr.
School of Business
Northwestern University
Evanston, Illinois

Professor Robert D. Myers
Department of Management
University of Toledo
Toledo 6, Ohio

Professor Judson Neff
3404 Mt. Bonnell Drive
Austin 3, Texas

Dr. Howard R. Neville
Director, Continuing Education
Michigan State University
East Lansing, Michigan

*Professor William H. Newman
Graduate School of Business
Columbia University
New York 27, New York

Professor Patrick J. Nicholson
Vice President, University Department
University of Houston
Houston 4, Texas

Professor William A. Nielander
Chairman, Marketing Department
Arizona State University
Tempe, Arizona

Professor Powell Niland
School of Business Administration
Washington University
St. Louis 5, Missouri

Dean Thomas L. Norton
2 Rodney Road
Scarsdale, New York

Professor Clement J. Nouri
College of Business Administration
Northeastern University
Boston, Massachusetts

Professor Howard C. Nudd
Department of Management
University of Houston
Houston 4, Texas

Mr. U. Tin Nyunt
333 Bo Hung Gyan Street
Rangoon, Burma

Professor Clinton L. Oaks, Chairman
Department of Business Management
Brigham Young University
Provo, Utah

Professor Winston Oberg
Department of General Business
Michigan State University
East Lansing, Michigan

Professor George S. Odiorne
Director, Bureau of Industrial Relations
University of Michigan
Ann Arbor, Michigan

William J. O'Brien, Assistant Dean
School of Business Administration
Duquesne University
600 Forbes Avenue
Pittsburgh 19, Pennsylvania

Professor Cyril J. O'Donnell
School of Business Administration
University of California
Los Angeles 24, California

Professor Walter G. O'Donnell
School of Business Administration
University of Massachusetts
Amherst, Massachusetts

Professor Thomas M. O'Farrell
Bureau of Labor and Management
College of Business Administration
State University of Iowa
303 North Capital Street
Iowa City, Iowa

Professor Edmund B. O'Leary
136 Hadley Road
Dayton 9, Ohio

Mr. Clifton Oliver, Jr.
P.O. Box 243
Gainesville, Florida

Professor Kenneth W. Olm
103 Waggener Hall
University of Texas
Austin, Texas

*Professor Richard N. Owens
1750 Lorain Road
San Marino, California

Professor Lawrence L. Parrish
School of Business Administration
University of Connecticut
Storrs, Connecticut

Dean Saw William Paw
University of Rangoon
Rangoon, Burma

Professor Carlton A. Pederson
Graduate School of Business
Stanford University
Stanford, California

Professor Bernard D. Perkins
University of South Dakota
Vermillion, South Dakota

Dr. Charles D. Phillips
National Electric Contractors Ass'n.
610 Ring Building
Washington 6, D. C.

Professor Sidney H. Phillips
105 Slocum
Syracuse University
Syracuse, New York

Professor Chad Pierson
7333 Draper Avenue
La Jolla, California

*Professor Earl Planty
15 Hagan Boulevard
Urbana, Illinois

Professor Albert T. Polin
School of Business Administration
University of Southern California
Los Angeles 7, California

Professor Parley M. Pratt, Chairman
Department of Business Management
Brigham Young University
Provo, Utah

Professor Harold F. Puff
School of Business
Miami University
Oxford, Ohio

Professor Charles L. Quittmeyer
4 Woodbridge Drive
Hampton, Virginia

Professor W. F. Rabe
12351 Deer Brook Lane
Los Angeles 49, California

Mr. Philip H. Ragan
685 Commonwealth Avenue
Boston 15, Massachusetts

Professor Louis J. Rago
Rockwell Hall
Duquesne University
Pittsburgh, Pennsylvania

Professor Karl G. Rahdert
Department of Business Administration
Bowling Green State University
Bowling Green, Ohio

Professor Samuel Ranhand
Baruch School of Business
City College of New York
17 Lexington Avenue
New York 10, New York

Mr. Alex W. Rathe
165 Westchester Avenue
Thornwood, New York

Professor Kenneth A. Reed
121 School of Business
University of Colorado
Boulder, Colorado

Professor Ira J. Rees
College of Business Administration
University of Georgia
Athens, Georgia

Dean Henry Joseph Rehn
School of Business
Southern Illinois University
Carbondale, Illinois

Mr. Edward Reighard
School of Business
Fresno State College
Fresno, California

Professor Vincent G. Reuter
119 East Fairmont Drive
Tempe, Arizona

*Professor Karl D. Reyer
Department of Management and Mkt.
Louisiana State University
Baton Rouge, Louisiana

Dean Howard K. Rice
Long Island University
Zeckendorf Campus
Brooklyn 1, New York

Professor Max De Voe Richards
College of Business Administration
Pennsylvania State University
University Park, Pennsylvania

Mr. Rol W. Rider, Jr.
Box 627, Cambria, California

Professor Arthur L. Roberts
San Fernando Valley State College
1811 Nordhof Street
Northridge, California

Professor O. W. Roberts
Rural Free Delivery No. 1
Scripps, Indiana

*Professor H. B. Rogers
Room 504, Technology Building
Northwestern University
Evanston, Illinois

Professor James A. Roll
c/o A. L. Roll
Lenox, Iowa

Professor Costic Roman
Oklahoma State University
Stillwater, Oklahoma

Professor Daniel D. Roman
16600 Sunburst
Sepulveda, California

Professor Robert M. Rompf
Room 241 Eppley Center
Michigan State University
East Lansing, Michigan

Professor James Rosenzweig
College of Business Administration
University of Washington
Seattle, Washington

Mr. A. Bruce Rozet
853 Hanley Avenue
Los Angeles 49, California

Professor Richard T. Rudduck
Management Department
University of Toledo
Toledo 6, Ohio

Mr. Peter T. Sadow
6222 Falkland Drive
Dayton 24, Ohio

Professor Emanuel C. Salemi
Division of Business and Economics
Los Angeles State College
Los Angeles 32, California

Professor Borje O. Saxberg
College of Business Administration
University of Washington
Seattle, Washington

Professor Joseph C. Schabacker, Chm.
Department of Management
University of Wisconsin
Madison 6, Wisconsin

*Professor E. H. Schell
Massachusetts Institute of Technology
Cambridge 39, Massachusetts

Professor Martin F. Schmidt
School of Business 112
The University of Colorado
Boulder, Colorado

Professor William E. Schlender
Department of Business Organization
The Ohio State University
Columbus 10, Ohio

Professor M. C. Schnoor, Jr.
Department of Management
School of Business Administration
Wayne State University
Detroit 2, Michigan

Professor Sterling H. Schoen
School of Business Administration
Washington University
St. Louis 5, Missouri

Professor Albert N. Schrieber
College of Business Administration
University of Washington
Seattle, Washington

Professor Joseph P. Schwitter
Dept. of Ind. Admin. and Prod.
Kent State University
Kent, Ohio

Professor Charles R. Scott, Jr.
Box 2607
University, Alabama

Professor Preston H. Scott
3364 Ewald Circle
Detroit 38, Michigan

Professor William G. Scott
Management Department
De Paul University
25 East Jackson Boulevard
Chicago, Illinois

Dean Alfred L. Seelye
School of Business and Public Service
Michigan State University
East Lansing, Michigan

*Professor Julius C. G. Seidl
Fordham University School of Business
59 West 71 Street
New York 23, New York

Professor Stanley J. Seimer
College of Business Administration
Syracuse University
Syracuse 10, New York

Mr. Robert G. Seymour, Director
Executive Development Center
University of Illinois
143 Bevier Hall
Urbana, Illinois

Professor Philip C. Shaak
School of Business
Rutgers University
18 Washington Place
Newark, New Jersey

Professor Richard M. Sheehan
Lamar State College of Technology
Beaumont, Texas

Professor Fremont A. Shull, Jr.
Management Department
Indiana University School of Business
Bloomington, Indiana

*Professor Ronald B. Shuman
College of Business Administration
The University of Oklahoma
Norman, Oklahoma

Professor Louis J. Shuster
Sacramento State College
Sacramento 19, California

Professor Alex J. Simon
Box 689
University of Southwestern Louisiana
Lafayette, Louisiana

Professor Rollin H. Simonds
School of Business and Public Service
Michigan State University
East Lansing, Michigan

Professor Donald F. Simons
Division of Business Administration
Texas A. & M. College
College Station, Texas

Dean Floyd R. Simpson
Division of Business and Economics
Los Angeles State College
Los Angeles, California

Professor John B. Slocum
Management
University of Miami
Coral Gables, Florida

*Mr. Harold F. Smiddy
30 Sutton Place
New York 22, New York

Professor Thomas W. Smith
4517 Westbrook Lane
Kensington, Maryland

Professor W. Nye Smith, Jr.
Business Administration
Clarkson College of Technology
Potsdam, New York

Professor Jerome Snyder
716 Torrance Avenue
Vestal, New York

Professor Charles Soltis
College of Business Administration
Kent State University
Kent, Ohio

Professor Burnard H. Sord
114 Waggener Hall
University of Texas
Austin, Texas

Professor Milton H. Spencer
School of Business Administration
Wayne State University
Detroit 2, Michigan

Mr. Myron J. Spencer, Director
Graduate Program in Business Admin.
Northeastern University
Boston 15, Massachusetts

Professor Clinton Spivey
College of Business and Public Admin.
University of Maryland
College Park, Maryland

*Professor W. R. Spriegel
College of Business Administration
University of Texas
Austin, Texas

Professor Andrew L. Springfield
University of Tulsa
600 South College
Tulsa, Oklahoma

Professor Alexander Srbich
San Diego State College
San Diego 15, California

Professor John D. Stanley
67 Hilcrest Drive
Penfield, New York

Professor Harry F. Stark
Bureau of Economic Research
Rutgers University
New Brunswick, New Jersey

Professor Jack D. Steele
School of Business
University of Kansas
Lawrence, Kansas

Professor George A. Steiner
13943 Cumpston
Van Nuys, California

Professor Nathaniel Stewart
2873 South Abingdon Street
Arlington 6, Virginia

Professor R. Stansbury Stockton
School of Business
Indiana University
Bloomington, Indiana

Professor Earl P. Strong
1337 South Garner Street
State College, Pennsylvania

Professor Waino W. Suojanen
Florida State University
Research and Develop. Mgt. Program
Eglin Air Force Base, Florida

Professor Charles E. Summer, Jr.
School of Business
Columbia University
New York 27, New York

Professor Arthur Lee Svenson
Graduate School of Business Admin.
New York University
100 Trinity Place
New York 6, New York

Professor Peter T. Swanish
Loyola University Dept. of Management
820 North Michigan Avenue
Chicago, Illinois

Mr. Ralph O. Swaim
724 Summer Avenue
Syracuse 10, New York

Professor James W. Sweeney
School of Business Administration
Tulane University
New Orleans 18, Louisiana

Professor Ram S. Tarneja
Duquesne University
600 Forbes Avenue
Pittsburgh 19, Pennsylvania

Professor Russell A. Taussig
St. Mary's College
St. Mary's College, California

*Professor George W. Taylor
Geography and Industry Department
University of Pennsylvania
Philadelphia 4, Pennsylvania

*Professor George R. Terry
Northwestern University School of Bus.
339 East Chicago Avenue
Chicago 11, Illinois

Professor James D. Thompson
Administrative Science Center
University of Pittsburgh
Pittsburgh 13, Pennsylvania

Professor Leete A. Thompson
Sacramento State College
Sacramento 19, California

Professor Hans B. Thorelli
Graduate School of Business
University of Chicago
Chicago 37, Illinois

Professor Edwin Timbers
School of Business
University of Santa Clara
Santa Clara, California

Professor Howard L. Timms
School of Business
Indiana University
Bloomington, Indiana

*Professor Joseph W. Towle
School of Business and Public Admin.
Washington University
St. Louis, Missouri

Professor Robert Fenn Towson, Jr.
1610 Fountain Head Road
Hagerstown, Maryland

Professor Ralph M. Traxler, Jr.
School of Business
Emory University
Atlanta, Georgia

Professor Wallace D. Trevillian
Department of Industrial Management
Clemson College
Box 1258
Clemson, South Carolina

Professor Joseph M. Trickett
School of Business
University of Santa Clara
Santa Clara, California

Professor Ruth E. Troy
Business Administration
College of Steubenville
Steubenville, Ohio

Professor Lyle R. Trueblood
College of Business Administration
University of Tulsa
Tulsa 4, Oklahoma

Dean Ross M. Trump
School of Business and Public Admin.
Washington University
St. Louis 5, Missouri

Professor Stanley Vance
University of Oregon
Eugene, Oregon

*Professor E. H. Van Delden
20 East 74 Street
New York 21, New York

Professor John R. Van De Water
University of California, Los Angeles
Los Angeles 24, California

Professor William J. Vatter
University of California
Berkeley 4, California

*Professor William Voris
Division of Management
Los Angeles State College
5151 State College Drive
Los Angeles 32, California

Mr. Maneck S. Wadia
Graduate School of Business
Stanford University
Stanford, California

Professor Ernest W. Walker
Department of Management
University of Texas
Austin, Texas

Dr. Stanley K. Walls
Mezzine Drive
Cresskill, New Jersey

Professor John E. Walsh, Jr.
Washington University
St. Louis, Missouri

Professor Scott D. Walton
2795 Emerald Street
Eugene, Oregon

Professor Warren C. Waterhouse
College of Business Admin.
Bowling Green State University
Bowling Green, Ohio

Professor Wilfred H. Watson
103 Waggener Hall
University of Texas
Austin, Texas

Professor C. Edward Weber
2311 Forest Drive
Pittsburgh 35, Pennsylvania

Professor Irving R. Weschler
Graduate School of Business
University of California, Los Angeles
Los Angeles 24, California

Professor Rhea H. West
1813 Yale Avenue
Knoxville, Tennessee

Mr. Wilford L. White
3131 Nebraska Avenue, Northwest
Washington 16, D.C.

Professor Arthur M. Whitehill
School of Business Admin., Box 190
University of North Carolina
Chapel Hill, North Carolina

Professor Richard J. Whiting
Los Angeles State College
Los Angeles 32, California

Professor Edward D. Wickersham
College of Commerce
University of Detroit
Detroit 21, Michigan

Professor Albert K. Wickesberg
School of Business Administration
University of Minnesota
Minneapolis 14, Minnesota

Mr. Frederick J. Willett
Director of Research in Ind. Mgt.
University of Cambridge
Trumpington Street
Cambridge, England

Professor Edgar G. Williams
1004 East Wylie
Bloomington, Indiana

Professor Ralph D. Wilson
School of Hotel Management
University of Denver
Denver, Colorado

Professor William B. Wolf
College of Business Administration
University of Southern California
Los Angeles 7, California

Mr. G. Dow Worley, Jr.
1416 Fair Oaks
South Pasadena, California

Mr. James C. Worthy, Partner
Cresap, McCormick & Paget
100 West Monroe Street
Chicago 3, Illinois

Dean H. J. Wyngarden
School of Business and Public Service
Michigan State University
East Lansing, Michigan

Professor Dale Yoder
Graduate School of Business
Stanford University
Stanford, California

Professor Stanley J. Young
School of Commerce and Finance
St. Louis University
St. Louis 8, Missouri

Professor Raymond J. Ziegler
University of Illinois
424 David Kinley Hall
Urbana, Illinois

Dr. Paul Zivkovich
4515 Newton Street
Torrance, California

Mr. Karel Zlabek
Nad Vaclavkou 5, Praha 5-Simichov
Czechoslovakia

Professor Herbert G. Zollitsch
School of Business Administration
Marquette University
Milwaukee, Wisconsin

Academy of Management

Former Presidents

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*The Academy was organized on an informal basis from 1936 to 1940, and was inactive because of World War II from 1942 to 1946.



